Item 17/18

Dorset and Wiltshire Fire & Rescue Authority

Internal Audit Annual Report

Year Ended 31st March 2017

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1. INTRODUCTION

1.1 The purpose of internal audit is to provide the Authority, Finance, Governance and Audit Committee, the Chief Fire Officer and management of the Dorset & Wiltshire Fire and Rescue Authority with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Authority's agreed objectives. Internal audit also has an independent and objective consultancy role to help management improve risk management, governance and control.

1.2 The results of our internal audit work form part of the framework of assurances that the Authority receives and should be used to assist the Authority prepare informed governance and internal control statements.

1.3 Internal audit work for the period from 1st April 2016 to 31st March 2017 was carried out in accordance with the Annual Internal Audit Plan approved by the Authority, and monitored by the Finance, Governance and Audit Committee.

1.4 The plan was constructed in such a way as to allow a statement of the adequacy and effectiveness of the Authority's risk management, control and governance processes based upon the reviews undertaken as part of an Internal Audit Strategy covering three years.

1.5 Our risk based methodology and working practices are compliant with the Public Sector Internal Audit Standards (PSIAS) 2013, the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF) 2013 and specifically in relation to local government the CIPFA Code of Practice (COP) for Internal Audit in Local Government. These standards are adopted insofar as they are applicable to you as a client.

2. PLANNED COVERAGE & OUTPUT

2.1 The Authority, Finance, Governance and Audit Committee agreed to an input of 90 days of internal audit coverage in the year.

2.2 The planned reviews, the planned number of days and the actual time against each are shown in Appendix A and shows that the plan was completed within the resources available.

2.3 Our audit assignments were undertaken over four visits, one in July 2016, September 2016, November 2016 and February 2017, as agreed with management and we are grateful for the co-operation which we received from those managers and staff that were involved with the audit process.

3. MANAGEMENT ACTION ON RECOMMENDATIONS

3.1 Based on the results of our follow up work, management responses and agreed implementation plans we believe that management have taken or planned appropriate and timely action to implement recommendations.

4. OPERATIONAL ASSURANCE

4.1 The internal audit service reviewed a number of areas during the year:

- Risk Management
- IT Migration
- Procurement
- HR Workforce Planning
- Information Governance
- Fixed Assets and Inventories
- Corporate Governance

- Information Management System Migration
- Health & Safety Migration
- Absence Management
- Complaints, Whistleblowing, Anti-Fraud, Corruption and Bribery
- Key Financial Controls
- Cultural Alignment and Development

4.2 From these examinations, taking into account the relative risk of the business areas the internal audit service has formed the following conclusions (good, adequate or weak) regarding the policies, procedures and operations in place to:

- Establish and monitor the achievement of the Authority's objectives: Good
- Identify, assess and manage the risks to achieving the Authority's objectives: Adequate
- Advise on, formulate, and evaluate policy, within the responsibilities of the Chief Fire officer: Good
- Ensure economical and efficient use of resources: Adequate
- Ensure compliance with the Authority's policies, procedures, law and regulations: Good
- Safeguard the Authority's assets and interests from losses of all kind including those from fraud, irregularity and corruption: Adequate
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes: Adequate

5. OVERALL ASSURANCE

5.1 As the internal audit service provider to the Dorset & Wiltshire Fire and Rescue Authority, we are required to provide the Authority and the Chief Fire Officer with a statement on the adequacy and effectiveness of the Authority's risk management, control and governance processes.

5.2 In giving an opinion it should be noted that assurance can never be absolute. The most that the audit service can provide to the Authority is a reasonable assurance there are no major weaknesses in the Authority's risk management, control and governance processes.

5.3 In assessing the level of assurance to be given, the following have been taken into account:

- All audits undertaken during 2016/17;
- Any follow-up action taken in respect of audits from previous periods;
- Significant recommendations not accepted by management and the consequent risks;
- The effects of any significant changes in the Authority's objectives or systems;
- Matters arising from previous reports to the Authority;
- Any limitations which may have been placed on the scope of internal audit;
- The extent to which resources constraints may impinge on the Head of Internal Audit's ability to meet the full audit needs of the Authority;
- What proportion of the Authority's audit need has been covered to date;
- Management action in respect of the recommendations made; and
- The results of work performed by other assurance providers including the work of the financial statement auditors and inspection (if applicable).

5.4 At the date of issue of this report the Financial Statement Auditor's Final Audit Opinion and External Audit Management Letter for 2016/17 have not been published. We reserve the right to amend our annual opinion as a result of these further sources of assurance once issued.

6. OPINION

6.1 We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Authority's risk management, control and governance processes.

6.2 Overall in our opinion, based upon the reviews performed during the year, the Dorset & Wiltshire Fire and Rescue Authority:

- has adequate and effective risk management;
- has adequate and effective governance; and
- has adequate and effective control processes.

APPENDIX A – SUMMARY OF AUDIT OUTCOMES 2016/17

Audit Area	Progress	Overall Opinion	Plan Days	Actual Days	Recommendations Made				
					F	S	MA	Total	Agreed
Block 1									
1. Risk Management	Final	Adequate	5	3.5	0	3	0	3	3
2. IT Migration	Final	Adequate	5	5	0	2	0	2	2
3. Procurement		Adequate	5	6.5	0	1	1	2	2
4. HR Workplace Planning		Substantial	5	3	0	0	1	1	1
5. Information Governance		Substantial	5	4	0	0	1	1	1
Block 2									
6. Fixed Assets and Inventories		Adequate	5	6	0	1	2	3	3
7. Corporate Governance		Substantial	5	4.5	0	3	3	6	6
8. Information Management System Migration		Substantial	5	4	0	0	2	2	2
Follow Up			1	1					
Block 3									
9. Health & Safety Migration		Substantial	5	5	0	0	1	1	1
10. Absence Management		Substantial	4	4	0	0	0	0	0
11. Complaints, Whistleblowing, Anti-Fraud, Corruption and Bribery		Substantial	3	3	0	0	1	1	1
Block 4									
12. Key Financial Controls		Adequate	15	15	0	3	4	7	7
13. Cultural Alignment and Development		Adequate	10	9	0	1	2	3	3
Follow Up			2	2					
Management									
Audit Management	-	-	10	16	-	-	-	-	-
		TOTAL	**90**	**91.5**	**0**	**14**	**18**	**32**	**32**

APPENDIX B – SUMMARY OF MAIN FINDINGS

Ref	Recommendation
RISK MANAGEMENT	
1.	**Risk reporting to board – risk appetite** The Service should consider redefining risk appetite as 'unacceptable risks which cannot be allowed to happen" as they threaten achievement of corporate objectives this is in line with definitions within the Business Continuity Plan. As a consequence, Board level attention would then be focused on those risks reflecting a score of 16 or above. **Priority: Significant**
2.	**Completion of response plans** The development of emergency response plans and department business continuity plans should be programmed on a risk basis to conclude within 2016/17 as planned. **Priority: Significant**
3.	**Testing of Recovery Plans** Annual testing of emergency response and business continuity plans in accordance with an agreed programme should be coordinated by the Assurance and Business Continuity team throughout each calendar year in order to avoid peak workloads developing and provide continuous assurance. **Priority: Significant**
IT MIGRATION	
1.	**Scheduling and Reporting ICT Activities** A number of activities remain to be undertaken from the combination, and additional scopes of work are emerging e.g. the penetration testing outcomes. Scheduling, tracking and reporting on these works are required to ensure priorities are assigned and deliveries are occurring to schedule. **Priority: Significant**

2. ICT Infrastructure Configuration Control

To control and protect IT, service formal configuration controls are required along with supporting policies and procedures covering testing and approval for changes

Priority: Significant

PROCUREMENT

1. Implementation of Policies and Procedures

We recommend that all staff are reminded of the importance of adhering to the Policy and Procedures in respect of procurement, ensuring that quotes and procurement forms are copied to the procurement team.

It is acknowledged that the links within the new policies have only just "gone live" so access to the forms will become easier and assist in this respect.

Priority: Significant

FIXED ASSETS & INVENTORIES

1. Fixed Asset Policy

We recommend that a detailed documented plan is introduced to ensure that the new PAS55.1 2008 Standard from the Institute of Management in respect of Fixed Assets is implemented within the 3-year timeline.

Priority: Significant

CORPORATE GOVERNANCE

1. Member Skills Audit

The Authority should complete the process of identifying member skills as a means of determining future training needs and board appointments.

Priority: Significant

2. Member Appraisals

The Authority should consider the introduction of an annual system of appraisal and development for members.

Priority: Significant

3. Conflicts of Interest/Secondary Working

The Authority should introduce a combined policy regarding the approval and recording of conflicts of interest and secondary working.

Priority: Significant

KEY FINANCIAL CONTROLS - OVERVIEW

1. Budget Holder meetings

When Budget holders meet with the management accountants we recommend that a schedule of action points are prepared after each meeting which can be tracked to ensure all suggested actions are completed.

Priority: Significant

2. Financial Management Information

We recommend that a financial dashboard of key financial performance indicators is produced on a monthly basis to support routine monitoring of performance.

Priority: Significant

3. Treasury Management

The Service should further develop its cashflow forecasting procedures to align with financial plans and consider events on a 12 month rolling basis. It would also be beneficial to introduce analysis of current position against forecast in order to gain an increasing understanding of cash flow within the Service.

Priority: Significant

CULTURAL ALIGNMENT REVIEW

1. Programme progression

It is recommended that the Authority introduce a formal process for monitoring progress with regard to Cultural Change within the entirety of the People Programme and introduce outcome measures that demonstrate achievement of expectations from the cultural change programme.

Priority: Significant

APPENDIX C – PERFORMANCE INDICATORS YTD

Report Turnaround

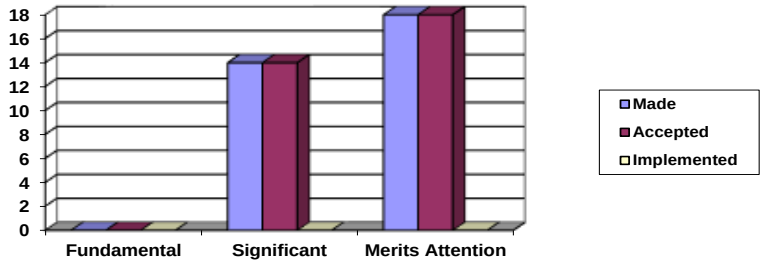
Performance Indicator	Target	Actual	Comments
Draft report turnaround (average working days)	10 days	7 days	Average
Final report turnaround (average working days)	5 days	3 days	Average

Resources

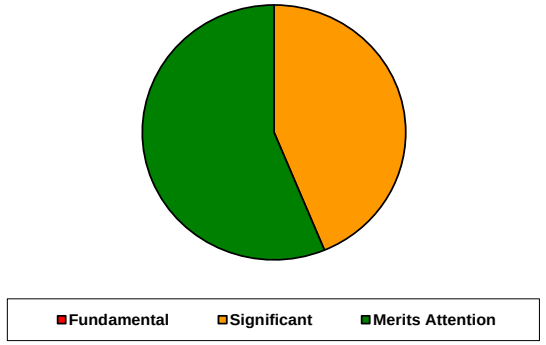
Performance Indicator	Annual	Actual	Comments
Number of Audit Days	90	88.5	DWFRS not invoiced for additional time
Audit Fee	Within Budget	Within Budget	
Director Input	10%	15%	
Manager Input	15%	20%	
IT Auditor Input	10%	0%	
Senior Auditor Input	35%	35%	
Auditor Input	30%	30%	

Recommendations

Made, Accepted & Implemented



Analysis of Priority



APPENDIX D – Notes

KEY FOR RECOMMENDATIONS (IN RELATION TO THE SYSTEM REVIEWED)

Fundamental (F)	-	The organisation is subject to levels of fundamental risk where immediate action should be taken to implement an agreed action plan.
Significant (S)	-	Attention to be given to resolving the position as the organisation may be subject to significant risks.
Merits Attention (MA)	-	Desirable improvements to be made to improve the control, risk management or governance framework or strengthen its effectiveness.

ADEQUACY & APPLICATION OF CONTROL

OVERALL OPINION (ASSURANCE)	FRAMEWORK OF CONTROL	APPLICATION OF CONTROL	EXPLANATION	TYPICAL INDICATORS
Substantial (Positive opinion)	Good	Good	The control framework is robust, well documented and consistently applied therefore managing the business critical risks to which the system is subject.	There are no fundamental or significant recommendations attributable to either the Framework or Application of Control.
Adequate (Positive opinion)	Good	Adequate	As above however the audit identified areas of non-compliance which detract from the overall assurance which can be provided and expose areas of risk.	There are no fundamental recommendations surrounding the Framework of Control; coupled with no fundamental and no more than two significant recommendations attributable to the Application of those controls.
	Adequate	Good	The control framework was generally considered sound but with areas of improvement identified to further manage the significant risk exposure; controls were consistently applied.	There are no fundamental recommendations attributable to the Framework of Control.
	Adequate	Adequate	As above however the audit identified areas of non-compliance which expose the organisation to increased levels of risk.	There are no fundamental recommendations attributable to the Framework and Application of Control.
Limited (Negative opinion)	Good / Adequate	Weak	As above however the extent of non-compliance identified prevents the Framework of Control from achieving its objectives and suitably managing the risks to which the organisation is exposed.	There are more than two significant recommendations attributable to the Application of Controls.
	Weak	Good / Adequate	The control framework despite being suitably applied is insufficient to manage the risks identified.	There are more than two significant recommendations attributable to the Framework of Controls.
No (Negative opinion)	Weak	Weak	Both the Framework of Control and its Application are poorly implemented and therefore fail to mitigate the business critical risks to which the organisation is exposed.	There are fundamental recommendation(s) attributable to either or both the Framework and Application of Controls which if not resolved are likely to have an impact on the organisations sustainability.
The above is for guidance only; professional judgement is exercised in all instances.				