DORSET & WILTSHIRE FIRE AND RESCUE AUTHORITY

Item 17/52

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MEETING	Finance, Governance and Audit Committee
DATE OF MEETING	15 December 2017
SUBJECT OF THE REPORT	Internal Audit Quarterly Report (October - December)
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For Approval
EXECUTIVE SUMMARY	During this quarter, two internal audits have been undertaken covering the areas of Business Case Management and Strategic Planning. Both audits received substantial level of assurances with no fundamental risks arising from these audits. Management responses have been proposed to address the issues raised in the report.
RISK ASSESSMENT	The issues raised by these audits do not represent a significant risk to the Authority. Both audits received a substantial level of assurance. Management responses have been agreed and are detailed in the audits.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	None for the purposes of this report
RECOMMENDATIONS	Members are asked to: 1. Consider and approve the management responses
BACKGROUND PAPERS	None for the purposes of this report
APPENDICES	Gateway Assure Block 3 Audit Report (attached)
REPORT ORIGINATOR AND CONTACT	Robin Pritchard (Gateway Assure), Engagement Director Email: robin.pritchard@gatewayassure.com Tel: 07792 296830

Dorset & Wiltshire Fire and Rescue Authority

Internal Audit Report for the Dorset & Wiltshire Fire and Rescue Service

Internal Audit Report

Block 3 - 2017/18
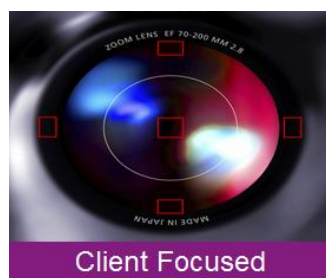
Client Focused

Providing Guidance

Driving Forward

Clear Assurance

CONTENTS

CONTACT DETAILS – MANAGEMENT TEAM

Team Member	Role	Mobile	Email
Robin Pritchard	Engagement Director	07792 296830	robin.pritchard@gatewayassure.com

INTRODUCTION

OPERATIONAL AUDIT PLAN

1.1   This report summarises the outcome of work completed to date against the operational audit plan approved by the Authority, Finance, Governance and Audit Committee and the Chief Fire Officer and incorporates cumulative data in support of internal audit performance and how our work during the year feeds in to our annual opinion.

1.2   The sequence and timing of individual reviews has been discussed and agreed with management to ensure the completion of all audits within the agreed Internal Audit Strategy 2017/18; the current planned schedule is shown in Appendix C.

1.3   In brief the areas subject to audit on this occasion and the result of those audits are as follows:

Audit Area	Opinion	Recommendations				
		F	S	MA	Total	Agreed
Business Case Management	Substantial	0	1	2	3	
Strategic Planning	Substantial	0	0	2	2	

KEY

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.

1.4   We would like to take this opportunity to thank all members of staff for their co-operation and assistance during the course of our visit.

1.5   The results of each audit are reported through the Executive Summary and agreed Action Plan contained within **Appendix A**.   A Summary of Opinions and Recommendations is shown as **Appendix B** and progress against the Operational Plan is detailed at **Appendix C**.

STANDARDS

1.6   We have performed our work in accordance with the principles of the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF) 2013 and the Public Sector Internal Audit Standards (PSIAS) 2013 in so far as they are applicable to you our client. Our working papers are available for inspection.

QUERIES

1.7   Should any recipient of this report have any queries over its interpretation or content they should contact the client engagement director either directly or through the client contact as appropriate and we shall be happy to discuss the assignments and provide any detail or explanations necessary.

SCOPE & BACKGROUND

1.8   We have reviewed each area in accordance with the scope and objectives agreed with management prior to our visit. Appendix A provides detail of the scope of our work; our conclusions regarding the level of assurance that can be provided and where appropriate the agreed Action Plan to be implemented by management to remedy potential control weaknesses.

1.9   Our approach was to document and evaluate the adequacy of controls operating within each system. For each system the key controls operated by management were assessed against the controls we would expect to find in place if best practice in relation to the effective management of risk, the delivery

of good governance and the attainment of management objectives is to be achieved. Where applicable, selected and targeted testing has been used to support the findings and conclusions reached.

1.10   We report by exception and only highlight those matters that we believe merit acknowledgement in terms of good practice or undermine a system's control environment and which require attention by management.

AUDIT OBJECTIVE & OPINION

1.11   The objective of our audit was to evaluate the auditable areas with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. The control system is put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively.

1.12   Our opinion is based upon the control framework (as currently laid down and operated) and its ability to adequately manage and control those risks material to the achievement of the organisation's objectives for this area. We provide our opinion taking account of the issues identified in the Executive Summary and Action Plan.

Overall Opinion

1.13   Each Executive Summary provides an overall assessment of our findings for each system reviewed and provides an opinion on the extent to which management may rely on the adequacy and application of the internal control system to manage and mitigate against risks material to the achievement of the organisation's objectives for each area.

Conclusion on the Adequacy of Control Framework

1.14   Based on the evidence obtained, we conclude for each area upon the design of the system of control, and whether if complied with, it is sufficiently robust to provide assurance that the activities and procedures in place will achieve the objectives for the system.

Conclusion on the Application of Controls

1.15   Based on the evidence obtained from our testing, we conclude for each area upon the application of established controls.

VALUE FOR MONEY

1.16   Where value for money issues are identified as a result of our work the corresponding recommendation will be annotated with **VFM** in the bottom right hand corner. This is used to identify recommendations which have potential value for money implications for the organisation or which indicated instances of over control.

PREVIOUS AUDIT RECOMMENDATIONS (FOLLOW UP)

1.17   Where a previously accepted audit recommendation remains outstanding at the time of our review and the original implementation date has passed the corresponding recommendation within Appendix A will be annotated with **PAR (Previous Audit Recommendations)** in the bottom right hand corner.

EXECUTIVE SUMMARY

FINDINGS & CONCLUSIONS

2.1   The results of our visit to Dorset and Wiltshire Fire & Rescue Service are summarised in this section of the report and are considered in relation to each area reviewed.

2.2   The extent of comment in relation to each audit area is restricted deliberately so as to highlight the key issues that we believe need to be drawn to the attention of the Finance, Governance and Audit Committee and management and are supported by a more detailed analysis of each review that is contained as Appendix A to this report.

Business Case Management

2.3   The Community Safety Plan, which is reviewed on an annual basis, is prepared after full consideration by the Service of the strategic landscape in which it operates. This is then signed off by the Authority. Once the priorities and targets have been decided upon, having regard to the budgetary and operational constraints set out within the Medium Term Financial Plan (MTFP) and the Service Delivery Plan (SDP), any additional business cases are identified and developed following agreement by the appropriate Director or the Strategic Leadership Team (SLT).

2.4   Responsible officers subsequently prepare business cases to secure any additional investment not included within agreed budgets. This is currently a paper based process with a hard copy being presented for consideration. The template used is a standard template, which is currently undergoing a review process to ensure it remains fit for purpose and proportionate. The process is being increasingly migrated to an electronic one within the Service's performance management system known as Sycle. Each business case has been transferred to the Sycle system and is easily identifiable within the system making it easy to locate the business plan and its relation to the Community Safety Plan.

2.5   Business case approval is then managed through the involvement of relevant managers, Finance and the Strategic Leadership Team (SLT) where this is appropriate, however there is at present no centrally held record of those business cases being raised beyond the minutes of the SLT. We have therefore suggested that a record might be useful in terms of further overseeing what may be in the pipeline as well as what has been approved. This may also be helpful in developing future financial plans and reports.

2.6   When a business case has been completed they are passed to the SLT for assessment. All business cases are assessed at SLT regardless of size and nature, but this is currently under review. We have recommended that consideration should be given to the setting of de-minimus criteria for business cases to be considered at SLT, with the less significant business cases in both value and strategic importance being considered at a lesser forum or as part of the delegated process where resources are available within existing budgets. We and SLT acknowledge that this may lead to the SLT not having a complete "hands on" approach to all business cases but should lead to the more significant business cases having a greater focus at their meeting. We understand work is in hand to realise this aspiration as part of a wider approach to strengthening staff and managerial engagement in the strategic planning process.

2.7   The business cases are discussed at SLT and a consensus is taken to decide if the business case is to be carried forward. Consideration of all aspects of the business case is taken including options for implementation, costs related to the business case including the impact of the funding and the associated risks, before final sign off for approval. The business case also shows the financial plan and the expected delivery of the work associated with the business case and how this will develop over time.

2.8   On inspection of the draft hard copy of the business case document, the final page is set out for the authorisation and sign off by the Responsible officer, the Head of Finance and the SLT. It was confirmed that without the three authorisations being in place the project cannot go ahead. A sample of 5 current business cases was selected from the Sycle system. Although to be input onto Sycle they must have been approved at the SLT, evidence of a formal sign off was not identified. We have suggested that a formal sign off document is produced, which includes a pre-financial sign off confirming the case is viable and within budget prior to full SLT sign off.

2.9   The monitoring of all business cases is completed on the Sycle system. On a monthly basis the Head of Strategic Planning and Knowledge Management contacts all the business case owners and requests an update of progress of the project or activity associated with the business case. This is input into the Sycle system where all users can transparently see the progress. It was confirmed that progress on current business cases are discussed at the SLT meetings where they are mitigation measures against the strategic risk register. Progress for these control measures are reported to Members via the Strategic Risk Register. Departments and directors monitor the remaining business cases as part of wider team planning and performance management arrangements.

2.10   Although this has not occurred since the combination, when a business case is assessed and found not to be delivering the required outcome, action plans are set up within the SLT to bring the project back into line and within Authority expectations. If this were still not to bring the desired effect, then the business case would be closed and removed from Sycle.

Taking account of the issues identified above and the recommendations contained within Appendix A, in our opinion the control framework for the area under review, as currently laid down and operated, provides **substantial assurance** that risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled.

Strategic Planning

2.11   A strategic planning cycle which encompasses the whole of the Service and Authority is in place. A comprehensive process is completed on an annual basis, which is initiated in October of the preceding year. This process is aligned with the Medium Term Financial Plan (MTFP) and budget in February prior to being finalised in the published Community Safety Plan in June along with the more detailed Service Delivery Plan containing actions and projects for inclusion in departmental/ team plans.

2.12   The current planning cycle, which was already underway during our audit fieldwork, was being conducted slightly differently to previous years. In the previous year, the Service Delivery Plan that underpins the Community Safety Plan was conducted using a largely "top-down" approach with the decisions being largely made at a high-level and disseminated down to the departments and their teams when completed. With things settling down following the initial turbulence of associated with establishing the new Service and in a bid to be more inclusive, the approach has been changed to include more of a "bottom up" approach.

2.13   With the current planning cycle offering a more balance approach, it has led to greater engagement at all levels within the strategic planning process. This has the added benefit of getting a better "buy-in" to the process from all levels and provides a greater sense of responsibility and ownership relating to their part of the Service Delivery Plan.

2.14   As mentioned above once the priorities and targets have been decided upon, they are considered against the medium term financial planning process. This process ensures that the resources and financial constraints are considered in the preparing of the final Community Safety Plan.

2.15   The strategic process has been formally signed off in an appropriate manner by the SLT, and by the full Authority prior to the publication of the Community Safety Plan.

2.16   The Community Safety Plan and the associated Service Delivery Plan, clearly describes the priorities and targets set by the Authority.

2.17   Whilst our audit review found no areas of concern in the preparation of the Community Safety Plan, with the move to greater levels bottom up engagement we suggest that the Service implements a series of workshops/training sessions to ensure that the operational levels involved in the strategic planning process are fully aware of their roles and responsibilities within the process. These workshops may also be of benefit if rolled out to Authority members, so that they are fully aware of the focus of the strategic direction. We understand that this is in hand.

> Taking account of the issues identified above and the recommendations contained within Appendix A, in our opinion the control framework for the area under review, as currently laid down and operated, provides **substantial assurance** that risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled.

APPENDIX A1 – 04/18 BUSINESS CASE MANAGEMENT

Management Objective:	Review of processes for submission, prioritisation and approval of business cases
Responsible Officer:	Bob Ford – Head of Strategic Planning and Knowledge Management

Risk areas for consideration:

1. Business cases are submitted for consideration having not been through a validation process to confirm they are in line with the Authority's expectations and in the correct format.

2. Business cases are not approved in line with the Service's expectations and continuing monitoring is not undertaken to ensure the case remains a viable proposition.

Limitations to scope:
No limitation of scope

Overall opinion:	Substantial	Adequacy of control framework:	Good
		Application of control:	Good

Main Recommendations	Priority	Management Response	Implementation Plan
1. Control of Business Case submission The Service should introduce a control record of proposed and agreed business cases to inform future planning and analysis.	**MA**	Agreed. Finance Director will establish this register	**Responsibility: Phil Chow** **Target date: 31 January 2018**
2. Financial Sign off A formal sign-off document is produced, which includes a pre-financial sign off confirming the case is viable and within budget prior to full SLT sign-off	**S**	Agree. Finance Director Finance will establish this process	**Responsibility: Phil Chow** **Target date: 31 January 2018**

3. Delegation of approval			
We recommend that a de-minimus limit is set to smaller business case review and approved thus freeing up the time of the SLT to concentrate on the more significant business cases for the Service.	**MA**	Agreed. The Service is currently establishing cross-departmental delivery teams centred on the delivery of each of the corporate priorities. These are to be chaired by directors.	**Responsibility: Mick Stead** **Target date: 30 April 2018**

APPENDIX A1 – 06/18 STRATEGIC PLANNING

Management Objective:	Production, monitoring and management of corporate strategic plans and alignment of departmental plans to ensure the co-ordinated achievement of objectives.
Responsible Officer:	Bob Ford - Head of Strategic Planning and Knowledge Management

Risk areas for consideration:

1. The Authority fails to appropriately identify and agree strategic direction and objectives leading to poor co-ordination and utilisation of resources.

2. Failure to communicate the content of the strategic plan or align it with departmental plans may cause activities of departments to become remote to the core objectives and therefore reduce the ability of management to effectively manage risk exposure.

3. The Board has not established or determined the appropriate or concise key performance indicators by which it can measure the actual performance of the organisation to assist in future planning activities.

Limitations to scope:
No limitation of scope

Overall opinion:	Substantial	**Adequacy of control framework:**	Good
		Application of control:	Good

Main Recommendations	Priority	Management Response	Implementation Plan
1. Strategic Plan Training We recommend that all levels of management are engaged in the process of understanding the strategic planning process and their roles and responsibilities.	**MA**	Agreed. As part of the strengthening of the Service delivery plan, this is in hand. Cross departmental delivery team are also being established to support this new way of working.	**Responsibility: Mick Stead** **Target date: 30 April 2018**

APPENDIX B – SUMMARY OF OPINIONS & RECOMMENDATIONS

Reports being considered at this Finance and Audit Committee meeting are shown in italics. The definitions with regard to the levels of assurance given and the classification of recommendations can be found in the Notes section at the end of this report.

Audit	Progress	Opinion	Recommendations Made				
			F	S	MA	Total	Agreed
1. Communications	Final Report	Substantial	0	0	4	4	4
2. IT Management Systems	Final Report	Substantial	0	1	2	3	3
3. IT Health Check	Final Report	Substantial	0	1	1	2	2
4. Business Case Management	Final Report	Substantial	0	1	2	3	3
5. Strategic Workforce Planning							
6. Strategic Planning	Final Report	Substantial	0	0	1	1	1
7. Key Financial Controls							
Total			*0*	*3*	*10*	*13*	*13*

At the moment there is nothing that impacts negatively upon our annual opinion.

APPENDIX C – OPERATIONAL PLAN 2017/18

Block 1 Audits - Finance and Audit Committee – 7 July 2017	Plan Days	Actual Days	Progress
1. Communications	10	10	Final
Follow Up	3	2	
Management	3	3	
Total	**16**	**15**	

Block 2 Audits - 29 September 2017	Plan Days	Actual Days	Progress
2. ICT Management Systems	10	10	Final
3. IT Health Check	8	8	Final
Management	2	2	
Total	**20**	**20**	

Block 3 Audits - 15 December 2017	Plan Days	Actual Days	Progress
4. Business Case Management	8	7.5	Final
5. Strategic Planning	8	0.5	Final
Management	2	2	
Total	**18**	**10**	

Block 4 Audits – 28 March 2018	Plan Days	Actual Days	Progress
6. Strategic Workforce Planning	6	5.5	Initial scoping meeting held
7. Key Financial Controls	15	0.5	Initial scoping meeting held
Follow Up	2		
Management	3		
Total	**26**	**6**	

TOTAL AUDIT DAYS 2017/18	80	51	

APPENDIX D – PERFORMANCE INDICATORS YTD

Report Turnaround

| Performance Indicator	Target	Actual	Comments
Draft report turnaround (average working days)	10 Days	4 Days	
Final report turnaround (average working days)	5 Days	TBC	

Resources

Performance Indicator	Annual	Actual	Comments
Number of Audit Days	80	51	On track
Audit Fee	Budget	Within Budget	
Director Input	10%	22%	
Manager Input	15%		
IT Auditor Input	10%	10%	
Senior Auditor Input	35%	50%	
Auditor Input	30%	18%	

Recommendations

Made, Accepted & Implemented

Analysis of Priority
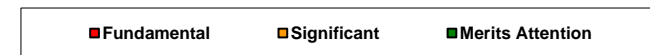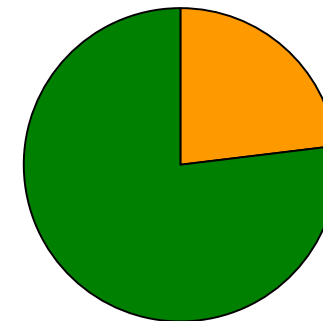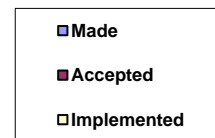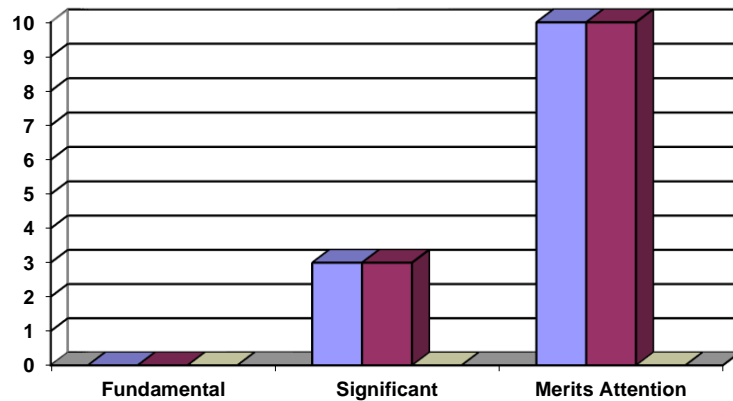
APPENDIX E – NOTES

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	Appropriate	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.
	Appropriate	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.
	Appropriate	Appropriate	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 / Appropriate	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 / Appropriate	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.
	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.				