

Dorset & Wiltshire Fire and Rescue Service

Report of Internal Audit Activity

Plan Progress 2019-20 Quarter 1

Internal Audit Plan Progress 2019-20 Quarter 1

Contents

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 Introduction	Page 2
 Quarter 1 Audit Summary	Page 3
 Assurance Definitions	Page 4
 Payroll Quarter 1 Audit Detail	Page 5-9
 Planned and Reactive Maintenance (Assets) Quarter 1 Audit Detail	Page 10-12
 Appendix 1 – 2019-20 Annual Audit Plan and Performance	Page 13-15

Internal Audit Plan Progress 2019-20 Quarter 1

Introduction

This report summarises the Internal Audit activity completed for Dorset & Wiltshire Fire and Rescue Service (the Service) in Quarter 1 (2019-20) in line with the Annual Audit Plan approved by the Finance & Governance Committee (the Committee) and the Chief Fire Officer in March 2019

The schedule provided in Appendix 1 contains a list of all Audits agreed in the Annual Audit Plan 2019-20.

We have provided a summary of activity which outlines our assurance opinion and the number and priority of any recommendations that we made in relation to the Audit work undertaken in Quarter 1. To assist the Committee in its monitoring and scrutiny role, a summary of each audit (objective, risk, controls tested, findings and recommendations) has also been provided, the content of which has been discussed and agreed with the responsible Director.

The scope for each Audit is agreed in advance with nominated managers. This process intends to focus on the key risks to which that area of the Service's activity is exposed and the associated controls which we would expect to be in place to ensure that risk is managed.

The key controls have been assessed against those 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.

We have performed our work in accordance with the principles of the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS) in so far as they are applicable to an assignment of this nature and you our client.

Internal Audit Plan Progress 2019-20 Quarter 1

Quarter 1 Audit Summary

In Quarter 1, 2019-20, the following Audits were completed in accordance with the 2019-20 Audit Plan:

Audit Name	Healthy Organisation Theme	Linked To	Status	Opinion	No of Rec's	Recommendation Priority		
						1	2	3
Planned and Reactive Maintenance	People and Asset Management Financial Management	Strategic Risk - 0006 HMICFRS - Efficiency Pillar CSP - Priority 3,4	Final	Adequate	3	-	1	2
Payroll	People and Asset Management Performance Management Financial Management	Strategic Risks - 0006, 232 HMICFRS - Efficiency CSP - Priority 4, 5	Final	Partial	7	-	5	2

Assurance Definitions

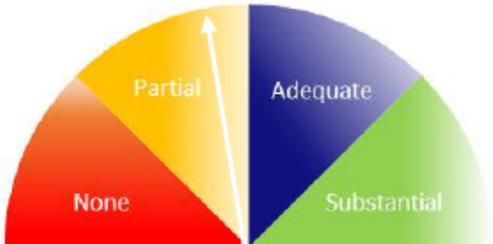
Each completed Audit has been awarded an “Assurance opinion” rating. This opinion takes account of whether the risks material to the achievement of the Service’s objectives for this area are adequately managed and controlled. The Assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in the below:

Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Adequate	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

From our work In Quarter 1, we have made recommendations which seek to strengthen the Service’s controls within each Audit area. We highlight those matters of that we believe merit acknowledgement in terms of good practice or undermine the system’s control environment, and which require attention by management. All improvement actions are allocated a priority grading and have been agreed with the management teams in each area.

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Executive Summary

Audit Opinion		Recommendation Summary	
	<p>In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>	Priority	Number
		Priority 1	0
		Priority 2	5
		Priority 3	2
Total		7	

Audit Opinion:

Partial Assurance.

Objectives:

To provide assurance that payroll key controls are operating effectively.

Risk:

Payroll is a key back office function in any organisation with the ultimate objective of ensuring the correct people are paid the correct amounts at the correct times. There are inherently high risks associated with payroll services, which include the opportunity for fraud and error, resulting in financial and reputational damage to the Authority.

Controls tested:

- 1) Data entered into the payroll system is properly registered, checked, actioned and authorised by an approved signatory.
- 2) Separation of duties between officers responsible for preparation of the payroll and payment of employees.
- 3) Production and independent review of exception reports.
- 4) Periodic reconciliation of the payroll system to HR records.
- 5) Only authorised staff are able to amend the system parameter files. Adequate password controls are in place and kept under review.
- 6) Overpayments or advances made are approved, regularly reviewed, monitored and updated.
- 7) Clear written procedures are maintained and regularly reviewed by management.
- 8) BACS authorisation procedures are in place.

Areas of good practice:

- 1) A Policy on overpayments and their recovery is in place and followed.
- 2) BACS payments are authorised in line with agreed protocol.
- 3) Internal staff have appropriate levels of access to the Service's payroll system.
- 4) Deductions and payments from a sample of salaries were found to be accurately paid promptly and accurately in line with statutory/agreed rates.
- 5) There is a good level of knowledge, experience and resilience within the team responsible for payroll.

Summary of Recommendations:

Findings & Risk	Recommendation	Management Response	Officer Responsible/ Timescale	Rec Priority
<p>The master payroll data report contains anomalies.</p> <p>There is reduced assurance that reports produced from the payroll application are accurate. This could result in data integrity weaknesses leading to error or fraud.</p>	<p>We recommend that the Human Resource Business Partner and Employee Relations Manager investigate the reporting errors with the software provider and seeks assurance that these will be resolved.</p>	<p>This action is now complete. This matter has been raised with the software provider and assurance has been provided.</p> <p>Action Completed</p>	<p>HR Business Partner and Employee Relations Manager</p> <p>30 June 2019</p>	2
<p>There is no list of authorised signatories in relation to payment for manual claims.</p> <p>There is an increased risk that employees are paid without appropriate authorisation.</p>	<p>We recommend that the Human Resource Business Partner and Employee Relations Manager obtains a list of authorised signatories for each of the payroll authorisation processes. These should be shared with Payroll staff and built into controls prior to the payment being made.</p>	<p>A new e-claims system is currently being tested and will be launched in September 2019. This captures all overtime claims and will negate the need for an authorised signatory list due to the built-in controls. This system will extend to include mileage and expenses claims. As a result, there would be little benefit in producing a new signatory list as all claims will be submitted and authorised electronically by the end of December 2019.</p>	<p>HR Business Partner and Employee Relations Manager</p> <p>31 March 2020</p>	2

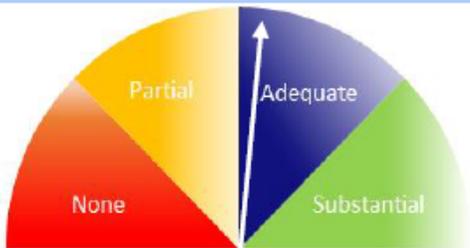
Payroll - Quarter 1 Audit Detail

Findings & Risk	Recommendation	Management Response	Officer Responsible/ Timescale	Rec Priority
<p>There has been no recent payroll reconciliation to HR records held in HRMIS (Management Information System) or the Gartan system.</p> <p>There is an increased risk that erroneous or fraudulent payments are made.</p>	<p>We recommend that the Human Resource Business Partner and Employee Relations Manager ensures a reconciliation is carried out between the payroll system and MIS systems. The reconciliation, including any errors or anomalies, should be recorded and reviewed by an independent officer to demonstrate a separation of duty.</p> <p>This process should be completed at an agreed interval thereafter. The above should also include a reconciliation of Gartan data to ensure that its information corresponds to the HR and Payroll systems.</p>	<p>Data reconciliation checks were undertaken as part of the data migration in September 2018 and some anomalies were identified and resolved. A complete cross reference data reconciliation exercise will be carried out in Quarter 3 2019-2020 (November 2019).</p>	<p>HR Business Partner and Employee Relations Manager</p> <p>31 December 2019</p>	<p>2</p>
<p>There is a lack of division of duty in the payroll process.</p> <p>In the absence of a reconciliation (as per above) there is an increased risk that erroneous or fraudulent payments are made</p>	<p>We recommend that the Human Resource Business Partner and Employee Relations Manager review the division of duties within the payroll process. Consideration should be given to the segregation of responsibility between the administration of payroll and making payment.</p>	<p>This action is now complete. A new member of staff has been appointed to the payroll team. This provides resilience to ensure all keying-in is carried out by the Employee Relations Advisors and enables the Employee Relations Officer to carry out authorisation.</p> <p>Action Completed</p>	<p>HR Business Partner and Employee Relations Manager</p> <p>31 July 2019</p>	<p>2</p>

Payroll - Quarter 1 Audit Detail

Findings & Risk	Recommendation	Management Response	Officer Responsible/ Timescale	Rec Priority
<p>The payroll software supplier's access to payroll data is not routinely reviewed.</p> <p>There is increased risk that inappropriate access leading to data breach, financial loss and/or reputational damage.</p>	<p>We recommend that the Human Resource Business Partner and Employee Relations Manager obtain periodic assurance from the software provider to ensure that external users with access to Service data are appropriate. At each period the report should include a description against each user which summarises their role in the organisation.</p>	<p>Assurance has been sought from the software supplier in relation to access to the Service's data and confirmation has been provided that periodic reviews are undertaken in relation to access controls. On-going assurance will be incorporated as a standing agenda item of the quarterly contract review meetings.</p> <p>Action Completed</p>	<p>HR Business Partner and Employee Relations Manager</p> <p>31 July 2019</p>	2
<p>Password controls for the payroll system do not comply with the corporate guidance on security.</p> <p>There is increased risk that inappropriate access leading to data breach, financial loss and/or reputational damage.</p>	<p>We recommend that the Human Resource Business Partner and Employee Relations Manager review password policy rules in relation to the payroll system using the corporate guidance. A risk-based decision should be made as to whether the current controls are tightened, and any subsequent narrative retained to demonstrate the decision taken.</p>	<p>This action is now complete. A review of the password policy rules has been completed. Access controls are in place for the system and, whilst web based, the payroll software cannot be accessed remotely without having the appropriate user access and log on information.</p> <p>Action Completed</p>	<p>HR Business Partner and Employee Relations Manager</p> <p>30 June 2019</p>	3
<p>Exception reports are not annotated to demonstrate that the appropriate checks have taken place.</p> <p>Unable to demonstrate that checks are being, or have been, undertaken to identify and investigate the reasons for any anomalies in the payroll and that corrections have been made as required.</p>	<p>We recommend that the Human Resources Business Partner and Employee Relations Manager ensures that evidence is retained to demonstrate the review of payroll exception reports.</p>	<p>This action is now complete. A front sheet has been designed to include all exception reports. This will act as a checklist to demonstrate that these have been reviewed and will be scanned and retained alongside the appropriate reports.</p> <p>Action Completed</p>	<p>HR Business Partner and Employee Relations Manager</p> <p>30 June 2019</p>	3

Executive Summary

Audit Opinion		Recommendation Summary	
	<p>Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>	Priority	Number
		Priority 1	0
		Priority 2	1
		Priority 3	2
		Total	3

Audit Opinion:

Adequate Assurance.

Objectives:

To Provide assurance that the estate is effectively managed through adequate planned and reactive maintenance programmes.

Risk:

Failure to maintain the operational estate could lead to a member of staff or the public suffering harm.

Controls Tested:

- 1) Legal requirements are understood, and a planned programme of checks exist.
- 2) Responsibility is assigned for ensuring a planned maintenance programme is implemented in practice.
- 3) Maintenance issues are reported, assessed and resolved as required.

Areas of good practice:

- 1) The Service is supported by a documented strategic direction and service level planning reflects the priorities at corporate level.
- 2) There is a maintained record of the estate.
- 3) Legislative requirements are understood, and a programme of checks is in place to ensure these are undertaken.
- 4) Staff have a range of professional qualifications and continue to be accredited in those areas most relevant to the maintenance of the estate.

Summary of Recommendations:

Findings & Risk	Recommendation	Management Response	Officer Responsible/ Timescale	Rec Priority
<p>Contracts works under planned maintenance are monitored by the Building Services Compliance Officer using temporary monitoring spreadsheets. This post was created in May 2019 and several anomalies have been identified as part of the monitoring to date. These include missed visits and missing test certification.</p> <p>There is increased risk of injury to a member of the public or staff, and the Authority is unable to demonstrate value for money if inspections have not taken place.</p>	<p>We recommend that the Building Services Manager reviews all current outstanding items, including those identified in the audit testing. These should then be addressed with the contractor to ensure that the Authority is receiving full value from the contract and reducing risk of reactive maintenance issues arising.</p>	<p>The outstanding visits and certification tests are programmed for completion. Estates will continue to monitor delivery to ensure all future maintenance is completed as scheduled.</p> <p>In addition, the Service will implement a longer-term solution to reconcile the spreadsheet within central ICT systems.</p>	<p>Building Services Compliance Officer</p> <p>30 September 2019</p>	3

Planned and Reactive Maintenance (Assets) - Quarter 1 Audit Detail

Findings & Risk	Recommendation	Management Response	Officer Responsible/ Timescale	Rec Priority
<p>It is difficult for the Authority to currently demonstrate value for money in relation to contractors for reactive maintenance works.</p> <p>There is increased risk that value for money is not achieved and financial and reputational damage is incurred.</p>	<p>We recommend that the Building Services Manager considers using a recognised framework for approved contractors in relation to reactive works or, to improve transparency, advertises in the public domain to the remainder of the marketplace.</p>	<p>Work is already progressing between Estates, Finance and Procurement to agree a structured framework for approved contractors in relation to reactive works.</p>	<p>Building Services Manager 31 December 2019</p>	3
	<p>We recommend that the Head of Assets, in liaison with the Head of Financial Services, agree an approach for the provision of reactive maintenance work, which complies with the revised procurement rules. The rationale for this decision should be recorded and retained.</p>	<p>The procurement approach and thresholds for reactive maintenance works are currently under review between Estates, Finance and Procurement. This will provide a clear and compliant procurement route for Estates.</p>	<p>Head of Assets 30 September 2019</p>	2

Appendix 1 - 2019-20 Annual Audit Plan and Performance

Audit Name	Healthy Organisation Theme	Linked To	Status	Opinion	No of Recs	Recommendation priority		
						1	2	3

2019-20

Q1 Planned and Reactive Maintenance	People and Asset Management Financial Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Final	Adequate	3	-	1	2
Q1 Payroll	People and Asset Management Performance Management Financial Management	Strategic Risk 0006, 232 HMICFRS Efficiency Priority 4, 5	Final	Partial	7	-	5	2
Q2 Medium Term Financial Plan and Capital Strategy	Financial Management Performance Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Audit Scope Agreed					
Q2 IT Strategy and policy	Performance Management Information Management	Strategic Risk 0006 Priority 4	Audit Scope Agreed					
Q3 Business Continuity Planning	Performance Management Corporate Governance Risk Management People & Assets Management	HMICFRS – Effectiveness & Efficiency Pillars Priority 1, 2, 3, 4, 5	Planned to commence 30 Sept					
Q3 Multi-agency response arrangements/Resilience	Performance Management Corporate Governance Risk Management People & Assets Management	HMICFRS – Effectiveness Pillar Priority 1, 2, 3, 4, 5	Planned to commence 30 Sept					

Appendix 1 - 2019-20 Audit Plan and Performance

Audit Name	Healthy Organisation Theme	Linked To	Status	Opinion	No of Recs	Recommendation priority		
						1	2	3
Q3 Recruitment and Workforce Planning	People & Asset Management Performance Management Financial Management	Strategic Risk 232 HMICFRS People Pillar Priority 5	Planned to commence 30 Sept					
Q4 Corporate Procurement Strategy	Commissioning & Procurement Financial Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Planned to commence 06 Jan 2020					
Q4 Procurement Cards and Fuel Cards	Commissioning & Procurement Financial Management	Strategic Risk 0006 HMICFRS Efficiency Pillar	Planned to commence 06 Jan 2020					
Q4 Financial Management Systems	Financial Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Planned to commence 06 Jan 2020					
Follow ups			Not Started					

Appendix 1 - 2019-20 Audit Plan and Performance

The performance results for progress against the Internal Audit plan for Quarter 1 2019-20 are as follows;

Performance Target	Average Performance	
	% of the Annual Plan	Number of Assignments
<u>Audit Plan – Percentage Progress</u>		
Final, Draft, Discussion, Removed	18%	2
In progress, Ongoing	-	-
Not yet started	82%	9
	100%	11

The completion of the plan is currently on target with follow up reviews being undertaken throughout the course of the year. As part of the Internal Audit Service, and to review performance, SWAP will regularly ask the Service to complete a customer satisfaction questionnaire. At the time of preparing this report, one customer satisfaction report had been issued to the Service and percentage satisfaction was 100%.