



**DORSET & WILTSHIRE
FIRE AND RESCUE**



Item 20/35 Appendix A

Dorset & Wiltshire Fire and Rescue Service

Report of Internal Audit Activity

Plan Progress 2020-21 Quarter 3

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

Contents

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Internal Audit Plan Progress 2020-21 Quarter 3

This report summarises the Internal Audit activity completed for Dorset & Wiltshire Fire and Rescue Service in Quarter 3 (2020-21) in line with the Annual Audit Plan approved by the Finance & Audit (F&A) Committee and the Chief Fire Officer in March 2020.

The schedule provided in Appendix 1 contains a list of all Audits agreed in the Annual Audit Plan 2020-21.

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 3. This Paper includes the detail regarding the Treasury Management review only. The ICT asset management audit was scheduled to start later in October to allow for the implementation and review of the new ICT Asset management system, hence this is marked as 'In Progress'. As a result, we anticipate that the Audit will be delivered within the Quarter 3, but the outcomes will be reported upon in Quarter 4.

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 2020-21 Quarter 3

Summary

In Quarter 3 of 2020-21, the following Audits were scheduled in accordance with the Annual Audit Plan:

Audit Name	Healthy Organisation Theme	Linked To	Status	Opinion	No of Recs	Priority of Recommendations		
						1	2	3
Treasury Management	Financial Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Final	Substantial	1	-	-	1
ICT Asset Management	People & Asset Management Information Management	Strategic Risk 0006 Priority 4	In Progress	TBC				

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 organisation’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, which has been updated following the last Papers presented to the Committee. This is to bring our assurance definitions more in line with those of CIPFA.

Assurance Definitions	
None	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

From our work In Quarter 3 we have made recommendations which seek to strengthen the Services 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 the appropriate 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	
	<h1>Substantial</h1> <p>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>	Priority	Number
		Priority 1	0
		Priority 2	0
		Priority 3	1
		Total	1

Audit Opinion:

Substantial Assurance.

Objective:

To provide assurance that key controls within Treasury Management are operating effectively and that opportunity for fraud and error is minimised.

Risk:

The Service is subject to financial loss or inaccuracy due to incorrect recording and accounting of treasury management functions.

Controls Tested:

- A current Treasury Management Strategy / Policy is in place which sets out the Service's approach to managing its treasury function, risk and performance of the Service's loans and investments is reported.
- Treasury information is accurately recorded, reconciled on a regular basis and access is restricted to authorised personnel.

For the purposes of the above, treasury information includes any investments and loans which are made and relevant to the Fire Authority. During the testing stage, we have reviewed investments made during the current financial year and any loans which are outstanding at the time of the audit.

Areas of good practice:

Most of the controls reviewed are operating effectively. The Treasury Management Strategy, including 2020-21 Policy was appropriately approved by the Fire Authority in February 2020. There is evidence to support relevant scrutiny by members of the mid and end of year treasury management reviews for 2019-20.

Controls regarding investment and borrowing are sufficient in relation to segregation of duties and are subject to an approved signatory before payment is released by the bank. Investment deals are agreed upfront and documentation is retained for audit trail and monitoring purposes. The investments reviewed as part of the audit were made in line with the agreed Strategy. No concerns were noted regarding the Authority's loans nor was there any evidence for concern regarding cashflow.

Summary of Recommendations:

Findings	Agreed Action	Officer Responsible/ Timescale	Rec Priority
<p>The treasury management reconciliation process was reviewed together with all completed reconciliations for financial year 2020 to date. The reconciliations are completed by the Accounts Technician monthly and should be signed off by the Chief Accountant thereafter. Following the pandemic restrictions, the sign off is completed electronically in the spreadsheet record.</p> <p>Three months of the current year had no details of the approver. Furthermore, the use of cells in an Excel spreadsheet does not allow for sufficient audit trail of the approver, nor a date and time stamp.</p>	<p>The Head of Financial Services agrees to ensure that an audit trail, including evidence of a real-time date stamp, is added to the monthly reconciliation process.</p>	<p>Chief Accountant Immediate – Completed.</p>	3

Appendix 1 – 2020-21 Audit Plan and Performance

Audit Name	Healthy Organisation Theme	Linked To	Status	Opinion	No of Recs	Recommendations		
						1	2	3
2020-21								
Q1 - Malpractice Management Controls	Performance Management Information Management People & Asset Management Corporate Governance	HMICFRS People Pillar Priority 5	Final	Adequate	3	-	-	3
Q1 - Critical Supplier Management	Commissioning & Procurement Financial Management	HMICFRS Efficiency Pillar Priority 4	Final	Substantial	1	-	-	1
Q1 - Asset Management Strategy	People & Asset Management Financial Management Performance Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Final	Adequate	2	-	1	1
Q2 - Financial Resilience	Financial Management Performance Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Final	Substantial	0	-	-	-
Q2 - Information security	Information Management Risk Management	Strategic Risk 301 Priority 4	Final	Adequate	1	-	-	1
Q2- Health and Wellbeing & fitness	People & Asset Management	HMICFRS People Pillar Priority 5	Final	Adequate	2	-	-	2
Q3 -Treasury Management	Financial Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Final	Substantial	1	-	-	1
Q3 - IT Asset Management	People & Asset Management Information Management	Strategic Risk 0006 Priority 4	In Progress	TBC	-	-	-	-
Q4 - Project Management Framework (including business cases)	Performance Management Corporate Governance Programme & Project Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Not Started	-	-	-	-	-
Q4 - People Development	People & Asset Management Performance Management	HMICFRS People Pillar Priority 5	Not Started		-	-	-	-

Appendix 1 – 2020-21 Audit Plan and Performance

The performance results for progress against the internal audit plan for Quarter 3 of the 2020-21 Internal Audit Plan are as follows:

Performance Target	Average Performance	
	% of the Annual Plan	Number of Assignments
<u>Audit Plan – Percentage Progress</u>		
Final, Draft, Discussion, Removed	70%	7
In progress, Ongoing	10%	1
Not yet started	20%	2
	100%	10

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, we had not received any responses to the feedback surveys sent upon finalising the most recent audit reports.