

# Dorset & Wiltshire Fire and Rescue Service

## Report of Internal Audit Activity

### Plan Progress 2021/22 Quarter 4

# Internal Audit Plan Progress 2021/22 Quarter 4

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# Internal Audit Plan Progress 2021/22 Quarter 4

## Introduction

This report summarises the Internal Audit activity completed for Dorset & Wiltshire Fire and Rescue Service in Quarter 4 2021/22 in line with the Annual Audit Plan approved by the Finance & Audit (F&A) Committee and the Chief Fire Officer in March 2021.

The schedule provided in Appendix 1 contains a list of all audits agreed in the Annual Audit Plan 2021/22.

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 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 4

### Audit Summary

In Quarter 4 2021/22, the following audits were completed in accordance with the Audit Plan:

Audit Name	Healthy Organisation Theme	Linked To	Status	Opinion	No of Recs	Priority of Recommendations		
						1	2	3
Strategic Planning & Stakeholder Engagement	People & Asset Management Performance Management	HMICFRS People Pillar Priority 5	Final	Substantial	-	-	-	-
Critical Supplies & Supply Chain – Emergency Response*	People & Asset Management	HMICFRS People Pillar Priority 5	Final	Adequate	4	-	-	4

\*The originally planned Q4 audit of *Fixed Assets and Inventories – Stock, Stores and Equipment* was removed to avoid duplication with the Q1 Operational Obsolescence review. An audit of Fixed Assets will instead form part of the 2022/23 audit plan. This was agreed in consultation with the Deputy Chief Fire Officer.

## Assurance Definitions

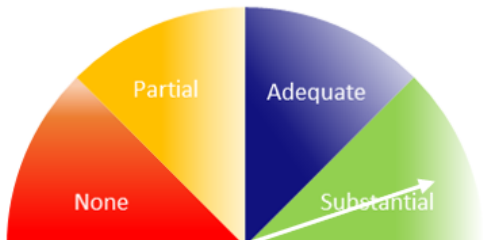
Each completed audit has been awarded an “assurance opinion” rating. This opinion takes account of whether the risks material to the achievement of the organisation’s objectives for this area are adequately managed and controlled. The assurance opinion ratings have been determined in accordance with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

Assurance Definitions	
<b>None</b>	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.
<b>Partial</b>	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.
<b>Adequate</b>	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.
<b>Substantial</b>	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.

We highlight those matters 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. From our work in quarter 4, there were four recommendations made, each of which were at Priority 3.

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:	
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

## Strategic Planning & Stakeholder Engagement

Audit Opinion		Summary of Actions	
	<h3>Substantial</h3> <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	0
		Total	0

### **Audit Opinion:**

Substantial assurance

### **Objectives:**

To provide assurances to management that the Service's strategic planning and stakeholder engagement control framework is operating effectively, and efficiently.

### **Risk:**

The Service do not align their strategic approach to delivery of their corporate objectives, and do not engage effectively with stakeholders, rendering their strategic plan, and subsequent delivery plans, inadequate. This could lead to non-achievement of corporate objectives, and reputational damage.

## Strategic Planning & Stakeholder Engagement

### **Controls Tested:**

The following areas of control were covered under the scope of this audit programme:

- The Service has published a clear Community Safety Plan (CSP) setting out their vision for the local area.
- The Service's CSP and supporting documents have been developed in consultation with their stakeholders and informed by adequate research, data, information, and local intelligence.
- The Service's Medium Term Financial Plan (MTFP) provides an outline financial strategy to meet the requirements of the strategic priorities set out in the CSP.
- There is an effective communication and engagement programme in place, to govern and clarify how the Service will engage with the communities on major issues and promote corporate identity.

### **Areas of good practice:**

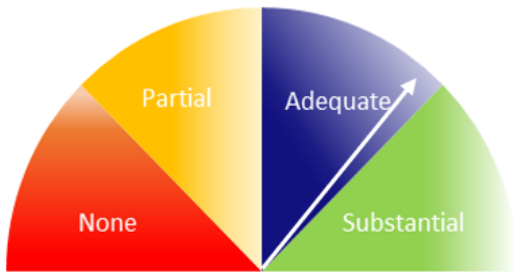
The following areas of good practice were identified during this review:

- A CSP is in place, which provides the vision and the priorities for the Service.
- Monitoring of performance against the plan is performed on a quarterly basis via Local Performance & Scrutiny Committees and the Finance & Audit Committee, then reported on a six-monthly basis to the Fire and Rescue Authority.
- The consultation period for the plan involved all key stakeholders, including Members, staff, community and charity groups, and Local Resilience Forum partners.
- A Communication and Engagement Plan was in place to outline key dates and stakeholders to be included within the consultation process for the plan.
- It was possible to demonstrate that feedback received during the consultation was incorporated into the final version of the CSP.
- There is clear linkage between the CSP and the MTFP, which were produced in line with each other.
- Final approval of the CSP was provided by Fire Authority members.

### **Summary of Recommendations:**

No recommendations were identified during this review.

## Critical Supplies & Supply Chain – Emergency Response

Audit Opinion		Summary of Actions	
	<h3>Adequate</h3> <p>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.</p>	Priority	Number
		Priority 1	0
		Priority 2	0
		Priority 3	4
		<b>Total</b>	<b>4</b>

### Audit Opinion:

Adequate assurance

### Objectives:

To provide assurances to management that the Service holds adequate stocks and an accurate inventory of their fleet, equipment, and PPE assets. Assurances will also be provided around how stores, and supply chains are managed to minimise the impact of disruption to the emergency response function of the Service.

### Risk:

The Service is not able to deliver their emergency services and meet their strategic objectives where stocks, stores, asset inventories and supply chains are not updated, monitored, and managed effectively. This could also lead to financial consequence for the Service.



## Critical Supplies & Supply Chain – Emergency Response

### **Controls Tested:**

The following areas of control were covered under the scope of this audit programme:

- The Service maintain an accurate and up to date inventory of fleet and equipment assets and PPE supplies essential to provide the emergency function of the Service.
- Effective controls are in place to maintain an appropriate level of stocks across fleet, equipment, and PPE supplies.
- Supply chain risks have been assessed by management and are continually monitored. Appropriate actions are taken to ensure that suitable contingency plans are in place which provide resilience during logistical and other supply challenges.

### **Areas of good practice:**

The following areas of good practice were identified during this review:

- The Fleet and Equipment assets, which are key to the Service's emergency response, are outlined clearly within their respective Asset Management Plans, including high-level information regarding how the Service manage these stocks.
- Each individual item of fleet, equipment and general supplies stock is tracked through individual entries within the respective management system. These system entries include background information about the stock such as minimum and maximum stock levels, reorder levels, and their location. It is possible to produce a range of reports from each of the asset management systems regarding available stock within the Service.
- There are appropriate access controls in place to protect the fleet, equipment, and general supplies, such as Covid-19 PPE, from theft or loss.
- In addition to annual stock takes, the General Supplies Team complete additional in-year, periodic stock takes to ensure that the inventory counts within their system are properly accounted for.
- Prior to procuring Covid-19 PPE stock, the Supplies Manager – Assets completed due diligence checks to confirm the quality of the items which would be ordered.
- Workshop and Store Teams use their initiatives, experience, and trend information to inform restocking decisions, and the automated approval process enabled by the financial system allows for management to challenge the necessity of orders and manage their costs/budget accordingly.
- Examples were provided where supply risks were escalated by the Workshop Team to the Service Manager, and appropriately captured within the Fleet Service's Risk Register for discussion at wider Asset Team meetings.
- There are verifications of potential supplier's Business Continuity Plans during tender evaluations.
- The Service has collaborated with local and national forums during the past two years to help inform their response to challenges caused by the Covid-19 pandemic and Brexit.

### Summary of Recommendations:

Findings & Risk	Recommendation	Management Response	Officer Responsible/ Timescale	Rec Priority
<p>The Fleet, Equipment, and General Supplies Teams all complete an annual stock take of their entire stock, to inform the end of year accounting, to inform Fleet and Equipment Asset Management Plans, and to ensure that the inventory count within their respective asset management systems is accurate and up to date.</p> <p>In addition, the General Supplies Team complete periodic stock checks either when time allows, or when there is a discrepancy between the quantities of items on the store shelves and what's recorded in their corresponding Agresso entries.</p> <p>The Fleet and Equipment Teams also used to complete periodic inventory checks; however, these have not continued to take place during the Covid-19 pandemic.</p>	<p>We recommend that the Head of Assets considers implementing periodic Fleet (workshops) and Equipment stores stock take(s) in-year (of their highest volume/highest value inventory items/categories) in addition to the annual stock-taking process in March, to ensure that inventory counts remain accurate and to reduce the chance of inventory anomalies at year end.</p>	<p>We accept the recommendation and will embed a periodic fleet and equipment stock take in year with the first to take place in Q1 2022/23.</p>	<p>Head of Assets 30 June 2022</p>	3

Findings & Risk	Recommendation	Management Response	Officer Responsible/ Timescale	Rec Priority
<p>It was established through discussions with management that some Covid-19 PPE supplies were purchased through an NFCC Covid-19 PPE Framework. At the time the purchase was made it was a priority for the Service to ensure that all staff had access to required Covid-19 PPE, to protect themselves and their customers from Covid-19 health risks.</p> <p>However, on further discussion with the Procurement Manager and the Supplies Manager – Assets, it was identified that on this occasion there was no contact made with a Procurement Category Manager prior to the order being made, and no call-off contract was put in place in accordance with the requirements of the framework that was used to procure those items. The need to act quickly within emergency situations is understood, however it may be of benefit for a reflective piece to be undertaken, to ascertain whether any lessons could be learned to help inform future arrangements.</p>	<p>We recommend that the Head of Assets liaises with the Supplies Manager - Assets and the Procurement Manager, to reflect on the purchase of Covid-19 PPE and determine whether any lessons can be learned to help inform future arrangements.</p>	<p>Following the recommendation being highlighted the Head of Assets and Procurement Manager have undertaken a review of the approach undertaken during the pandemic, cognisant of the urgent nature and challenges at this time. Learning has identified the need for Procurement to be regularly engaged with by the Assets team, during any future events.</p>	<p>Head of Assets</p> <p>Complete</p>	3

Findings & Risk	Recommendation	Management Response	Officer Responsible/ Timescale	Rec Priority
<p>Verification of potential supplier's business continuity arrangements is completed by the Service Resilience Manager during the procurement evaluation process, for each of the Service's key suppliers. Once a supplier has been awarded a contract, key supplier's performance is also managed within Service areas in accordance with ongoing contract management arrangements, or otherwise as good practice for other contractors who are not deemed to be 'key'. However, as confirmed with the Procurement Manager, there are currently no credit checks completed, or other measures of checking a supplier's financial resilience during the procurement process, nor once a contract has been awarded.</p> <p>Using a credit checking service to complete checks on the Service's key suppliers during the procurement process and on an ongoing basis would bring potential financial resilience issues to the attention of the Service, where contract meetings may not. Having a suitable process in place to complete these checks and defined protocols to help determine the Service's response to such notifications could increase the Service's resilience to potential supply risks.</p>	<p>We recommend that the Procurement Manager considers whether the Service should introduce more proactive measures for recognising potential risks and issues in their chain of supply, such as by introducing credit checks of their key suppliers.</p>	<p>The Service has a contract in place with Experian and the procurement approach for critical suppliers has been updated to include the undertaking and review of a credit check.</p>	<p>Procurement Manager</p> <p>Complete</p>	<p>3</p>

Findings & Risk	Recommendation	Management Response	Officer Responsible/ Timescale	Rec Priority
<p>There are clear procedures for managing the relationship with a supplier where formal contract management procedures are in place. However, there is no guidance for Service Managers regarding how the Service expect them to manage relationships with suppliers who are not key or bound by formal contract. Managers receive contract management training, but there is no specific training provision around supplier relationship management.</p> <p>It is crucial that the Service manage their relationships with all suppliers appropriately, to enhance the Service's resilience and business continuity during incidents such as the Covid-19 pandemic, and Brexit.</p>	<p>We recommend that the Procurement Manager consider updating the existing Management of Contractor Procedure (AES3), or implement a stand-alone supplier relationship management protocol, to make clear the Service's expectations with regards to how to manage relationships with their key and non-key suppliers.</p>	<p>The Service will develop revised Procurement Contract Management Guidelines to be included within AES 3 – Management of Contractor Procedure.</p>	<p>Procurement Manager</p> <p>31 March 2022</p>	3

## Appendix 1 – 2021/22 Audit Plan and Performance

Audit Name	Healthy Organisation Theme	Linked To	Status	Opinion	No of Recs	Recommendations		
						1	2	3
Operational Obsolescence	People & Asset Management Financial Management	HMICFRS Efficiency Pillar Priority 4	Final	Adequate	5	-	-	5
Pensions Administration and Employer Contributions Review	Financial Management	HMICFRS Efficiency Pillar Priority 4, 5	Final	Adequate	4	-	2	2
General Ledger (Cash and Bank)	People & Asset Management Financial Management Performance Management	Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4	Final	Substantial	2	-	-	2
Corporate Performance Management Framework	Performance Management Corporate Governance Risk Management People & Assets Management	HMICFRS – Effectiveness & Efficiency Pillars Priority 4	Final	Substantial	-	-	-	-
Skills Management and Competency Recording	People & Asset Management Performance Management	HMICFRS People pillar Priority 5	Final	Substantial	-	-	-	-
Leadership Development	People & Asset Management Performance Management	HMICFRS People Pillar Priority 5	Final	Substantial	-	-	-	-
Strategic Planning and Stakeholder Engagement	Performance Management People & Assets Management Corporate Governance	HMICFRS Effectiveness and Efficiency Pillar Priority 1,2,3, 4	Final	Substantial	-	-	-	-
Critical Supplies & Supply Chain – Emergency Response	People & Asset Management	HMICFRS Efficiency Pillar Priority 4	Final	Adequate	4	-	-	4

The performance results for progress against the internal audit plan for Quarter 4 of the 2021/22 Internal Audit Plan are as follows:

Performance Target	Average Performance	
	% of the Annual Plan	Number of Assignments
<b><u>Audit Plan – Percentage Progress</u></b>		
Final, Draft, Discussion, Removed	100%	8
In progress, Ongoing	-	-
Not yet started	-	-
	100%	8