

Internal Audit Progress Report as at 29 February 2024
Audit and Risk Committee – 25 March 2024



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1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2023/24 Internal Audit plan.

The information included in this progress report will feed into and inform our overall opinion in our Internal Audit annual report issued at the year end.

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

| No Assurance | Limited | Reasonable | Substantial |
|--|--|--|---|
| 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. | 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. | 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. | 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. |

This is based upon the number and type of recommendations we make in each report. Each recommendation is categorised in line with the following:

| Priority rating for issues identified | | |
|--|--|--|
| Fundamental action is imperative to ensure that the objectives for the area under review are met. | Significant requires action to avoid exposure to significant risks in achieving the objectives for the area under review. | Merits attention action is advised to enhance risk mitigation, or control and operational efficiency. |

2 Summary of work in progress as at 29 February 2024

| Auditable Area | ANA Rating | Suggested/Agreed Actions | | | | | Level of Assurance |
|---|------------|--------------------------|-------------|------------------|-------|-----------------|--------------------|
| | | Fundamental | Significant | Merits attention | Total | Number accepted | |
| Completed and reported previously: | | | | | | | |
| Partnerships | Medium | 0 | 6 | 0 | 6 | 6 | Limited |
| Data Protection | High | 0 | 0 | 0 | 0 | 0 | Substantial |
| | | | | | | | |
| Completed and reported for first time: | | | | | | | |
| Fixed Asset Accounting/Asset Planning | KFS | 0 | 0 | 0 | 0 | 0 | Substantial |
| Governance | High | 0 | 1 | 0 | 1 | Draft | Substantial |
| Budgetary Control | KFS | 0 | 1 | 0 | 1 | 1 | Reasonable |
| Payroll | KFS | 0 | 0 | 0 | 0 | 0 | Substantial |
| | | | | | | | |
| In progress: | | | | | | | |
| Risk Management | High | | | | | | |
| Accounts Payable | KFS | | | | | | |
| Accounts Receivable | KFS | | | | | | |
| Absence Management | Medium | | | | | | |

Key: KFS = Key Financial System

ANA = Audit Needs Assessment

Draft = Draft report issued to client and awaiting formal response

NA = Not Applicable

Ref. AU/A&R/2024/Mar/91203246

[ILO: UNCLASSIFIED]

3 Issues arising

Fixed Assets

An audit of fixed asset accounting was undertaken in respect of planned capital expenditure. The review was undertaken to provide assurance that an appropriate process was in place to maintain details of fixed assets and to record them correctly in the accounts. No issues of significance were identified.

Governance

The objective of our review of governance for the current year was focussed upon the adoption, adequacy and application of the Local Government Transparency Code and to ensure that the control system in place mitigated risks to the achievement of the Authority's objectives in this area.

As part of our previous audit review of Governance, we identified one issue relating to the declaration of interest documents for officers within the Authority had not been maintained in accordance with the Code of Conduct as specified in the Constitution and the Anti-Fraud, Corruption and Bribery Policy.

As part of the current review, we followed-up this matter and noted that:

- Declaration of interest forms had been completed by all Members and the Strategic Enabling Team.
- The relevant policy had been reviewed and its requirements re-stated in communications to staff.
- Action was being taken to establish a process through the Oracle system to ensure everyone can consistently record declarations of interest in a way that would be easily accessible to managers and People Support Services, but at the time of the review this task had not been completed

As such, it is acknowledged that improvements had been made, however, there remained an issue in ensuring that all relevant staff complete declarations where necessary and that these are being effectively monitored. As the declaration of interests' process is integral to promoting the transparency of the decision-making process throughout the Authority and for mitigating the risk of reputational loss, we have therefore, repeated the recommendation for an appropriate process to be implemented to record and monitor declarations.

Budgetary Control

A review of the budgetary control system was undertaken to ensure the Fire Service had established its budget and was managing it appropriately. Our review covered controls over monitoring, reporting, changes to budgets and the process to link budgets to medium and long-term plans. One issue was identified relating to the volume and checking of journals. It was acknowledged that a checking regime was in place, but that this could be further strengthened to mitigate the risk of errors not being identified. This would require a check of all journals above a specified limit and a sample check of other transactions. An action plan has been produced by management to address this matter and a commitment made to review the reasons why journals are necessary and to reduce the volume as appropriate.

Payroll

A review of the payroll system was undertaken to ensure the Authority had appropriate controls in place to mitigate the risk of fraud and error in the calculation, recording and payment of the payroll. No issues of significance were identified.

4 Other Activities

Advice and Guidance

We provide on-going advice and guidance to the authority to assist with the continuous improvement of the overall control environment.

CIPFA – Audit Committee Updates

We continue to present the regular CIPFA Audit Committee Updates to the Audit and Risk Committee.

Internal Audit Plan 2023/24

We submitted the Internal Audit annual plan for 2023/24 to the committee for approval at the March 2023 meeting.

Internal Audit Annual Report 2022/23

We presented the Internal Audit annual report for 2022/23 to the committee for comment and approval at the June 2023 meeting.

Counter Fraud

We provided Fraud Awareness training to the committee at its meeting held in November 2023.

Counter Fraud

We continue to lead on the Cabinet Office's National Fraud Initiative and their other associated fraud related activity (such as the Annual Fraud Survey), on behalf of the authority and to provide the main point of contact for any investigations into potential fraudulent activity.