

## Internal Audit Progress Report as at 26 February 2021 Audit and Risk Committee – 22 March 2021



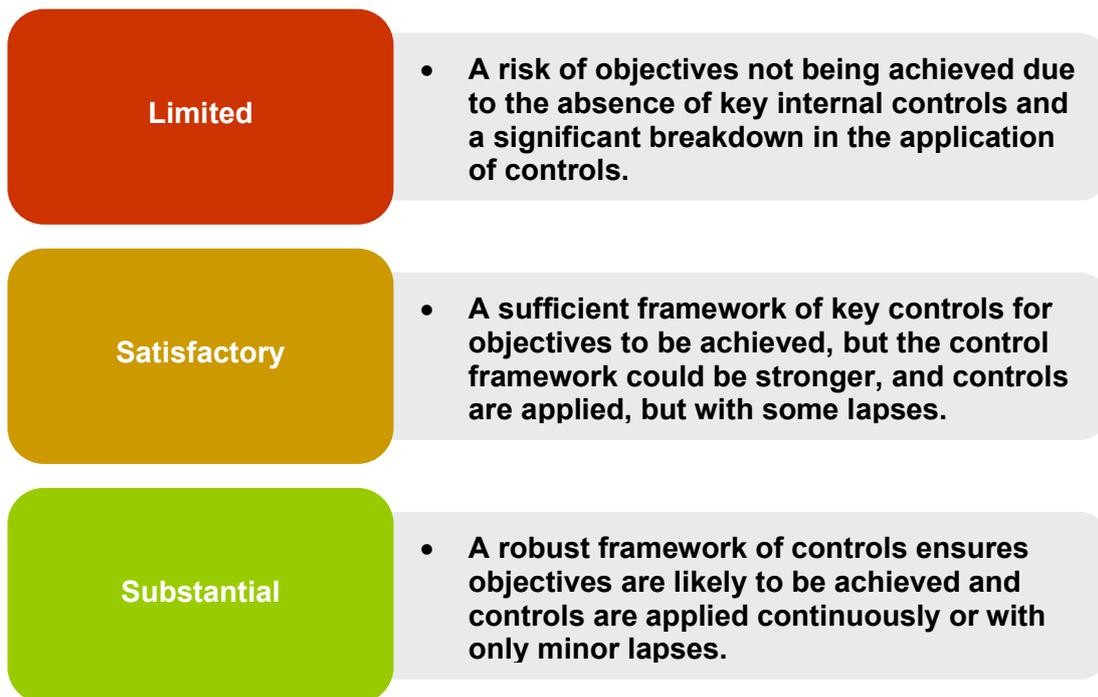
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# 1 Introduction

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 2020/21 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:



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		
<p><b>Fundamental</b> action is imperative to ensure that the objectives for the area under review are met.</p>	<p><b>Significant</b> requires action to avoid exposure to significant risks in achieving the objectives for the area under review.</p>	<p><b>Merits attention</b> action is advised to enhance risk mitigation, or control and operational efficiency.</p>

## 2 Summary of work in progress as at 26 February 2021

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Complete and reported for first time:</b>							
Absence Management	Medium	0	5	1	6	6	Limited
Accounts Receivable	KFS	0	0	0	0	NA	Substantial
Accounts Payable	KFS	0	0	0	0	NA	Substantial
Payroll	KFS	0	1	1	2	2	Substantial
Fixed Asset Accounting/Asset Planning	KFS	0	0	0	0	NA	Substantial
<b>In progress:</b>							
Fire Stations – Management of Fuel	Medium						
Data Protection	High						
IT	High						
Budgetary Control	KFS						
Governance	High						
Risk Management	High						

[ILO: UNCLASSIFIED]

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>To be started:</b>							
All planned reviews are either completed or in progress.							

Key: KFS = Key Financial System  
 ANA = Audit Needs Assessment  
 Draft = Draft report issued to client and awaiting formal response  
 NA = Not Applicable

### 3 Issues arising

#### **Absence Management**

A review was undertaken to provide assurance of compliance with the requirements of the absence management policy. The review identified issues relating to:

- Examples were found of managers not following guidance on the recording of Fit notes (a Fit note is an official written statement from a doctor giving their medical opinion on a person's fitness for work) within the Authority's Human Resources (HR) management systems, including long term absences. In some cases, there was insufficient evidence to cover the total periods of sickness for these employees.
- One instance was found where a manager had made a decision outside of normal absence management procedures without seeking the advice of HR. This creates a risk that the Authority may not be able to demonstrate that actions are applied consistently and equitably.
- There was a lack of record keeping evidencing that an absence for an employee reaching a staged trigger, had been managed in accordance with the authority's attendance management policy. There were certain mitigating circumstances, as responsibility for monitoring the absence had passed between manager's, but the root cause was that the necessary information had not been properly recorded and correctly updated to the required HR systems, and as such there was no clear trail of information to enable an informed handover to take place.
- There were no additional management checks on a sample of absences that had hit sickness triggers for compliance checking and monitoring.

The report has been discussed with the Authority and the suggested actions agreed and an action plan devised for implementation.

#### **Accounts Receivable**

A review of the accounts receivable system was undertaken to ensure that an effective system was in place for raising invoices and managing debtors. This included the integrity and reliability of charging information recorded in the accounts, the collection of payments and the process to monitor and report the debtor position.

#### **Accounts Payable**

A review of the accounts payable system was undertaken to ensure that adequate key controls were in place. Our review focused on the controls designed to prevent, overpayments, fraud and incorrect accounting.

## **Payroll**

A review of the payroll process was undertaken to ensure that the Fire Service had appropriate controls in place to mitigate the risk of fraud and error in the calculation, recording and payment of the payroll. We identified an issue, which was a re-iteration of the recommendation made in last year's report relating to:

- The People Support Services section did not have formal procedure notes which detailed the process for obtaining and evidencing approval for new starters.

## **Fixed Asset Accounting/Asset Planning**

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.

## **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.

### **Ad hoc Training**

We provided training to the committee on the role of Internal Audit and the responsibilities of the Audit and Risk Committee in monitoring this function. In addition, we provided training on "Fraud Awareness".

### **CIPFA – Audit Committee Updates**

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

### **Internal Audit Plan 2020/21**

We submitted the Internal Audit annual plan for 2020/21 to the committee for approval at the July 2020 meeting.

### **Internal Audit Annual Report 2019/20**

We presented the Internal Audit annual report for 2019/20 to the committee for comment and approval at the July 2020 meeting.

### **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.

## 5 Service quality questionnaire (SQQ) feedback

<b>Overall Satisfaction with Audit Services</b>	<b>Average Score</b>
	4.6

Scores range between 1 = Poor and 5 = very good. We have a target of achieving an average score of **4 = good**.