

Internal Audit Progress Report @ 31 December 2016 Audit Committee – 16 January 2017



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1 Introduction

The purpose of this report is to bring the Audit Committee up to date with the progress made against the delivery of the 2016/17 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:

| | |
|---------------------|---|
| Limited | <ul style="list-style-type: none"> A risk of objectives not being achieved due to the absence of key internal controls and a significant breakdown in the application of controls. |
| Satisfactory | <ul style="list-style-type: none"> A sufficient framework of key controls for objectives to be achieved, but the control framework could be stronger and controls are applied, but with some lapses. |
| Substantial | <ul style="list-style-type: none"> A robust framework of controls ensures objectives are likely to be achieved and controls are applied continuously or with only minor lapses. |

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 completed and in progress @ 31 December 2016

| Auditable Area | ANA Rating | Suggested/Agreed Actions | | | | | Level of Assurance |
|---------------------------------------|------------|--------------------------|-------------|------------------|-------|-----------------|--------------------|
| | | Fundamental | Significant | Merits attention | Total | Number accepted | |
| Completed: | | | | | | | |
| Accounts Receivable* | KFS | - | - | - | - | - | Substantial |
| Accounts Payable* | KFS | - | - | - | - | - | Substantial |
| Fixed Asset Accounting/Asset Planning | KFS | - | - | - | - | - | Substantial |
| Payroll | KFS | - | - | - | - | - | Substantial |
| Budgetary Control | KFS | - | - | - | - | - | Substantial |
| | | | | | | | |
| In progress: | | | | | | | |
| Data Protection | Medium | | | | | | |
| IT | High | | | | | | |
| Governance | High | | | | | | |
| | | | | | | | |

Key: KFS = Key Financial System

* = Reported upon in previous report

[ILO: UNCLASSIFIED]

3 Issues arising

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.

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 via BACS.

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.

4 Other activities

Audit Committee – Self Assessment of Good Practice and Effectiveness

The Audit Committee commenced a self-assessment of good practice and effectiveness exercise, based on the model provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities. Internal Audit is facilitating this exercise.

CIPFA – Audit Committee Updates

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

Audit Committee – Terms of Reference

We submitted the Audit Committee Terms of Reference for annual review at the April 2016 meeting of the Audit Committee.

Internal Audit Plan 2016/17

We submitted the Internal Audit annual plan for 2016/17 to the committee for approval at the April 2016 meeting.

Internal Audit Annual Report 2015/16

We presented the Internal Audit annual report for 2015/16 to the committee for comment and approval at the June 2016 meeting.

Audit Committee Annual Report

Assistance was provided in the preparation of the Annual Report of the Chair, on the work of the Audit Committee.

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 feedback

| Overall Satisfaction with Audit Services | Average Score |
|--|---------------|
| | 4.6 |

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