

Internal Audit Progress Report as at 28 February 2023 Audit and Risk Committee – 20 March 2023



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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 2022/23 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 28 February 2023

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Completed:							
Freedom of Information	Medium	0	1	1	2	2	Substantial
Fixed Asset Accounting/Asset Planning	KFS	0	0	0	0	NA	Substantial
Completed and reported for first time:							
Risk Management	High	0	0	0	0	NA	Substantial
Governance	High	0	1	0	1	Draft	Substantial
Accounts Payable	KFS	0	0	0	0	NA	Substantial
In progress:							
Payroll	KFS						
Accounts Receivable	KFS						
Partnerships	Medium						
Budgetary Control	KFS						
Data Protection	High						

[ILO: UNCLASSIFIED]

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

Risk Management

An audit of the risk management processes was undertaken to review the management of risk by the authority and to provide assurance that there is a clear understanding of how risk is to be managed and that risks are identified, recorded and effectively managed. No issues of concern were identified, and the report reflected that:

- There was a concise risk management policy which clearly identified the roles and responsibilities of those involved in the management and monitoring of risk and the policy was reviewed on a timely basis to ensure it remained fit for purpose.
- The corporate risk-register and monitoring reports provided sufficient detail to enable the effective management and monitoring of risk by officers and members and that the review of the risk-register was undertaken on a timely basis.
- There was a process in place to continually review working practices relating to risk management. It was explained during the review that the Fire Authority was seeking to further improve its review and monitoring of risk by introducing a system which would enable immediate update of changes in the risk profile to be reflected in the risk register so that risks could be managed in real-time. Such an upgrade would enhance what is already a sound system.

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. The review identified one issue where improvement could be made, arising from the following:

- Detailed in both the Code of Conduct (which forms part of the Constitution) and the Anti-Fraud, Corruption and Bribery Policy, is a requirement that employees must declare to their line manager any financial or non-financial personal interests that could bring about conflict with the interests of the Authority. The review identified that this requirement is not being consistently complied with. There is evidence that interests are being declared in meetings, where appropriate, but that the annual returns are not being completed by employees. The declaration of interests' process is integral for promoting the transparency of the decision-making process throughout the Authority and for mitigating the risk of reputational loss.

As part of the review of governance undertaken as part of the 2021/22 plan, two issues of significance were identified.

- The policies which formed part of the appraisal/performance management/appraisal framework had not been reviewed on a regular basis. It is acknowledged that these documents were currently under review by relevant officers, but there was no set timescale for completion.
- The Whistleblowing policy and Anti-fraud and Corruption policy had also not been subject to a recent review. It was understood that this document is also currently under review, but again there was no set timescale for completion.

As part of the current review, we have followed-up these matters and confirmed that they have been addressed and the policies have been reviewed and approved.

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. 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 2022/23

We submitted the Internal Audit annual plan for 2022/23 to the committee for approval at the March 2022 meeting.

Internal Audit Annual Report 2021/22

We presented the Internal Audit annual report for 2021/22 to the committee for comment and approval at the June 2022 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

Feedback to be provided when completed SQQs are received.