

Annual Internal Audit Report 2023/24

Audit and Risk Committee
22 July 2024



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1 Introduction

1.1 Our internal audit work for the period from 1 April 2023 to 31 March 2024 was carried out in accordance with the approved internal audit plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Authority's governance, risk management and control processes.

In this way, our annual report provides one element of the evidence that underpins the Governance Statement the Authority is required to make within its annual financial statements. This is only one aspect of the assurances available to the Authority as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Authority may rely could include:

- The work of the External Auditors (currently Grant Thornton)
- The result of any quality accreditation
- The outcome of visits by HMRC
- Other pieces of consultancy or third-party work designed to alert the Authority to areas of improvement
- Other external review agencies

1.2 The definition of internal audit, as described in the Public Sector Internal Audit Standards, is set out below:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Overall Assurance

1.3 As the providers of internal audit, we are required to provide the Authority with an opinion on the adequacy and effectiveness of the governance, risk management and control processes. In giving our opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes. In assessing the level of assurance to be given, we have considered:

- All audits undertaken for the year ended 31 March 2024;
- Any follow-up action taken in respect of audits from previous periods;
- Any fundamental or significant recommendations not accepted by management and the consequent risks;
- Any limitations which may have been placed on the scope of internal audit; and
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the Authority.

2 Internal Audit Opinion

2.1 We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:

2.2 Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit can provide ***reasonable assurance** that the Fire Authority has an adequate and effective framework of governance, risk management and control.

*We are pleased to report that this is an unqualified opinion and the highest level of assurance available to Audit Services. As stated in paragraph 1.3 “In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority’s governance, risk management and control processes”.

Factors Influencing the Opinion and Issues Relevant to the Statement on Internal Control

2.3 In reaching this opinion, the following factors were taken into consideration:

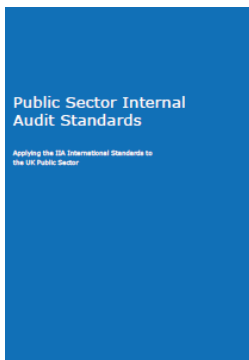
- The need for management to plan appropriate and timely action to implement both our and the External Auditor’s recommendations.
- Key areas of significance, identified as a result of our audit work performed in year, are detailed in the Appendix to this report.

2.4 The overall opinion can be used by the Authority in the preparation of the Governance Statement.

2.5 Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter.

3 Performance of the Audit Service

Compliance with the Public Sector Internal Audit Standards



Our reviews were carried out in accordance with the Public Sector Internal Audit Standards, which specify rules of conduct for objectivity, due professional care and confidentiality.

Quality Assurance and Improvement Programme

Sandwell Audit Services have a Quality Assurance and Improvement Programme. During the year, the internal audit activity there have been no significant areas of non-conformance or deviations from the standards as set out in the Public Sector Internal Audit Standards.

Staff are recruited, trained and provided with opportunities for continuing professional development. Staff are also supported to undertake relevant professional qualifications. All staff are subject to a formal staff appraisal process, which leads to an identification of training needs. In this way, we ensure that staff are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Advice and assistance

Finally, throughout the year we provide ongoing advice and assistance to all areas of the Authority on internal control and related issues, including on the development of an assurance framework.

4 Summary of Work Completed to inform the 2023/24 Internal Audit Opinion

A detailed written report and action plan is prepared and issued for every internal audit review. The responsible officer will be asked to respond to the report by completing and returning the action plan. This response must show what actions have been taken or are planned in relation to each recommendation. If the recommendation is not accepted, this must also be stated. Audit Services are responsible for assessing whether the managers response is adequate.

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

	Level	System Adequacy	Control Application
(positive opinions)	Substantial Assurance	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Reasonable Assurance	Sufficient framework of key controls for objectives to be achieved, but control framework could be stronger.	Controls are applied, but with some lapses.
(negative opinions)	Limited Assurance	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.
	No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.	The system of governance, risk management and control is inadequate.

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

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 advised to enhance control or improve operational efficiency.

During the year we made the following number of recommendations:

	2022/23	2023/24
Fundamental	0	0
Significant	2	8
Merits attention	1	1
Total	3	9

The following appendices/tables below list all the reports issued by internal audit during 2023/24, alongside their original Assessment of Assurance Need (AAN) risk score, the number and type of recommendations made, whether those recommendations have been accepted and an overall level of assurance for each review.

Summary of Internal Audit Work Completed for the 2023/24 Internal Audit Opinion

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Absence Management	Medium						In progress
Governance	High	0	1	0	1	1	Substantial
Partnerships	Medium	0	6	0	6	6	Limited
Data Protection	High	0	0	0	0	0	Substantial
Risk Management	High	0	0	0	0	0	Substantial
Accounts Payable	KFS	0	0	1	1	1	Substantial
Budgetary Control	KFS	0	1	0	1	1	Reasonable
Accounts Receivable	KFS	0	0	0	0	0	Substantial
Fixed Asset Accounting	KFS	0	0	0	0	0	Substantial
Payroll	KFS	0	0	0	0	0	Substantial
Total		0	8	1	9	9	

Key	
KFS	Key Financial System. Generally, this is also a high-risk review.
AAN	Assessment of Assurance Need.
In progress	This review is in progress. To date no issues have arisen that would impact upon our annual audit opinion given in paragraph 2.2.

Key issues arising during the year

The following is a brief overview of the key issues identified during the year.

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.

Partnerships

An audit was undertaken to review and assess the partnership governance and monitoring processes, and to provide assurance on how well they were embedded within the Authority.

A key function of the Partnership Team is the provision of strategic support to identify, implement and manage appropriate partnerships. This was managed by the introduction of the Partnership and Governance Arrangements and Framework Guidance and Toolkit which were introduced in 2016/2017.

Since the previous audit review in this area the partnership activity has reduced significantly over the past 12-18 months due to both the Covid pandemic and a reduction in the funding available for partnership activities.

Of those partnership arrangements that remained, we did identify a number of key issues relating to:

- The Partnerships Governance Arrangements and Framework Guidance /Toolkit documents had not been updated since 2017 and therefore may not reflect current working practices or guidance.

- It was agreed at the time of our last review that quarterly performance checks would be formally undertaken and documented. However, there was no real clear evidence of this on a routine basis for the period reviewed. As such, it was not explicit whether the expected outcomes of projects were being achieved and recognised as so.
- For one of the projects we reviewed, there appeared to be an inadequate initial set up, or ongoing monitoring arrangements, due to the lack of a formally agreed memorandum of understanding being established at the outset of the project.
- For the same project there was also a lack of a formally agreed guidance and output requirements from the outset for the funding received for the project.
- For another project, the memorandum of understanding was not signed/endorsed by an appropriate officer from the Fire Service evidencing the formal acceptance of the terms and conditions for the project.
- The memorandum of understanding for a further project was not signed/endorsed by all parties to the project to evidence their formal acceptance of the terms and conditions for the project.

An action plan has been produced by the Authority to address these matters and the implementation of them will be confirmed during a follow-up exercise to be undertaken as part of the internal audit plan for 2024/25.

Data Protection

The objective of our review was to assess how well the Authority was meeting its requirements relevant to the General Data Protection Regulations (GDPR). We did not identify any issues of significance.

In our previous review of this area, we noted that at the time assurance could not be provided that subject access requests were being responded to within specified deadlines, and errors had been noted in monthly monitoring reports presented to the Strategic Enabling Team (SET) detailing the number of Subject Access Requests (SARs) and Freedom of Information Requests (FOIs) received by the Authority, and how many had been responded to within a specified time frame. As part of our current review, we followed-up these matters and were pleased to confirm that they had been addressed, with automated processing now in place to ensure requests are dealt with on a timely basis and the Strategic Enabling Team making use of Power Bi dashboards to provide access to relevant information and statistics enabling effective monitoring to be undertaken.

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.

Key Financial Systems Reviews

- **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. The review

identified examples of new suppliers being duplicated on the system. It is acknowledged that these duplications were identified by the Revenues Officers as part of the process to activate the bank details and therefore, it appears no duplicate payments have been made. Management have taken action to address this issue.

- **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.

- **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.

- **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 system was undertaken to ensure 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.

Other areas of assistance provided

CIPFA – Audit Committee Updates

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

Internal Audit Plan 2024/25

We submitted the Internal Audit annual plan for 2024/25 to the committee for approval at the March 2024 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.

Internal Audit Charter

We undertake and present to the committee an annual review of the Internal Audit Charter. The latest version was presented for comment and approval at the March 2024 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 potentially fraudulent activity.

Training

We provided training to the committee on "Fraud Awareness". This took place at the meeting held in November 2023.