



**North Yorkshire Police, Fire and Crime
Commissioner
Fire and Rescue Service**

Internal Audit Progress Report 2019/20

Audit Manager:
Head of Internal Audit:

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Circulation List:

Members of the Fire Audit Committee
Section 151 Officer

Date:

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Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan and to identify any emerging issues which need to be brought to the attention of the Audit Committee.
- 2 The Audit Committee approved the 2019/20 Internal Audit plan on 21 May 2019. The total planned number of audit days for 2019/20 was 65. This report summarises the progress made to date in delivering that agreed programme of work.

Internal Audit work completed

- 3 Since the last Committee in July 2019 we have completed one internal audit on Discipline and Grievance to final report stage. A draft report on Revenue and Capital Budgeting has also been issued.
- 4 Further information on the audit work completed is included in **Appendix A**. This includes an embedded copy of the final report audit on Discipline and Grievance.

Audit Opinions

- 5 For most reports we provide an overall opinion on the framework of governance, risk management and control under review. The opinion is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Details of the definitions used are included in **Appendix B**.

Follow up of previous audit findings

- 6 It is important that agreed actions are regularly and formally followed up. This helps to provide assurance to management and members that control weaknesses have been properly addressed. We follow up agreed actions either as part of our ongoing audit work, or by separate review, after the agreed deadlines for actions have passed.
- 7 Further information on the progress made in addressing previously agreed actions is included in **Appendix C**. Overall there are no significant issues we need to report to the Committee.


Changes to the Internal Audit plan

- 8 Since the last committee we have agreed with management to undertake an additional audit covering the Mobile Data Terminal Replacement Project. We are currently planning the scope of the work with relevant officers. We have also agreed that the Data Protection Officer compliance checks, which are being undertaken by Veritau's specialist Information Governance team, will now be managed and delivered outside of the Internal Audit plan.
- 9 We will agree the impact to the plan in respect of the total number of days with officers once the new work has been fully planned and provide members with an update to the next Committee.

Stuart Cutts,
Audit Manager,
Veritau Ltd

14 November 2019

Table of audit assignments

Audit	Status	Assurance Level	Audit Committee
<u>Financial Systems audits</u>			
Revenue and Capital Budgeting	Draft Report	-	-
Purchase Orders	In progress	-	-
<u>Governance and Regularity audits</u>			
Tranman system	In progress	-	-
Discipline and Grievance	Final Report	Substantial Assurance	November 2019
 Final Report Discipline and Grievance.1			
Procurement	Not started	-	-
<u>Additional work</u>			
Mobile Data Terminal Replacement Project	Planning	-	-
<u>Information Governance</u>			
Data Protection Officer – compliance checks	Ongoing – see above	-	-
Follow up	Ongoing		

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Appendix C

Progress to implement previously agreed actions

System/Area	Opinion	Date Issued	Area(s) for Improvement	Management Action(s)
Financial Systems key controls (2018/19)	High Assurance 1x priority 3 action.	January 2019	The audit found changes to supplier bank account details were not always being evidenced appropriately.	Relevant finance staff were reminded of the need to follow the procedure that is in place to ensure changes are appropriately evidenced. Actions completed.
Payroll and Personnel (2018/19)	High Assurance 1 x priority 3 action.	May 2019	A newly appointed whole-time firefighter had elected to join the Pension Scheme but had not been enrolled into the scheme. This was due to a lack of clarity on internal paperwork. Monthly deductions for their Pension Contribution had been made and were held by the Fire Service. We were told an annual year end reconciliation which is undertaken would have picked up this and any other inconsistencies.	The Service agreed with West Yorkshire Pensions to move to monthly postings and reconciliations (and not just rely on the year-end reconciliation). After manual interventions on the reports that were provided by North Yorkshire County Council (NYCC), the Service has managed to reconcile April/May/June 2019 reports. The Pensions Officer is working with NYCC to improve the data so to help automate these processes more and to provide updated reports with the information they need. We are informed that this work is near completion. Actions: Close to being completed.

System/Area	Opinion	Date Issued	Area(s) for Improvement	Management Action(s)
Risk Management (2018/19)	Substantial Assurance 1 x priority 2 action 3 x priority 3 actions.	May 2019	<p>Risks were scored using gross and net methods. However a target risk was not used. A target risk score has a number of advantages such as helping to assess the ongoing success of improvement actions.</p> <p>The policy is currently reviewed every 2 years. The IRM risk management standard recommends annual review as best practice.</p> <p>Improvements were also suggested in respect of increasing the level of detail within the action plans on the corporate risk register and documenting the challenge from the risk management group.</p>	<p>Target risk scores are now included when assessing each risk, and are recorded on the corporate risk register.</p> <p>The risk management policy is now reviewed on an annual basis, and was reviewed and amended following completion of the audit. The review included a review and update of governance and challenge.</p> <p>Risk management group minutes are now documented and published for all staff.</p> <p>All the above changes were approved by the board on 21 June 2019.</p> <p>Actions completed</p>
Supplies and Stores (2017/18)	Reasonable Assurance	June 2018	<p>There were delays in implementing Tranman due to a lack of project staffing resource. However between the dates of the draft and final audit report, further progress was made. It was expected the Tranman system would be operational and staff trained by the end of August 2018.</p> <p>It was not fully understood how the introduction of the new system would impact procedures. As a consequence stores operating procedures are only in the early stages of being documented.</p> <p>Workaround arrangements have been put in place for the monitoring and reconciliation of stock. These arrangements could result in errors and do not allow for full segregation of duties.</p>	<p>North Yorkshire Police operating procedures were to be reviewed and changed to meet the needs of the North Yorkshire Fire and Rescue Service as part of the user acceptance testing for the Tranman system.</p> <p>There was to be a monthly stock check undertaken facilitated by the Tranman system and undertaken by the Supplies Officers that will be reviewed and signed off by the Logistics Manager. On a quarterly basis the Logistics Manager was to undertake a sample check of stock items. There will be a full annual stock check undertaken by the Logistics Manager which will be signed off by the Head of Technical Services, aligned with the financial year end procedures.</p> <p>We are evaluating the progress which has been made as part of our current 2019/20 audit of the Tranman system.</p> <p>Actions: Not fully assessed whether completed.</p>

System/Area	Opinion	Date Issued	Area(s) for Improvement	Management Action(s)
Information Technology (2017/18)	Substantial Assurance	July 2018	<p>The location of some IT assets stated in the asset management system did not accurately reflect the location of the assets.</p> <p>There was no testing schedule of backups.</p> <p>The authority has a large capacity to store data on to tape. There is not currently a retention schedule in place that covers the storage of tapes.</p>	<p>IT assets locations were to be reviewed and the asset management system updated to reflect the location of all assets.</p> <p>The backups were also to be considered currently in relation to both testing schedule and retention schedule. This issue was also going to be resolved as part of the Core Hardware Infrastructure Replacement Project (CHIRP).</p> <p>These two actions had deadlines for completion of 30 September 2019. We are currently in the process of following up the progress made with officers.</p> <p>The Information Governance Group members have agreed that data on backup tapes will be disposed of after six months. This action is completed.</p> <p>Actions: Partly completed.</p>