



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	APRC/16/01
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	14 JANUARY 2016
SUBJECT OF REPORT	AUDIT & REVIEW 2015-16 PROGRESS REPORT
LEAD OFFICER	Audit and Review Manager
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	<p>This report sets out progress to dates against the approved 2015-16 Internal Audit Plan. This Plan combines the work of the Service's internal Audit & Review Team and the Devon Audit Partnership to provide a comprehensive Internal Audit approach.</p> <p>This report provides an update as to the progress made against the Plan and the assurance statements for the audits completed since the last meeting of the Committee in September 2015.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	Not applicable.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	<p>Audit & Review 2015-16 Plan</p> <p>Audit & Review Service Policy</p>

1. **INTRODUCTION**

- 1.1 The 2015/16 Internal Audit Plan was approved by this Committee at its meeting held on the 12 May 2015. The Plan sets out the combined scope of internal audit work to be completed by the Audit & Review Team and the Devon Audit Partnership.
- 1.2 The Audit & Review Team and the Devon Audit Partnership are accountable for the delivery of the Plan and the policy includes the requirement to report progress to this Committee at least three times per year.
- 1.3 All Internal Audit reports, Plans and Service Policy are available on the intranet and can be accessed using the following link:
<http://intranet/Departments/SPRD/RiskandReview.asp>
- 1.4 The key objective of this report is to provide the Committee with a progress report against the Plan.
- 1.5 The report also includes assurance statements for the audits completed since the last meeting of the Committee.

2. **ASSURANCE STATEMENTS**

- 2.1 One of the key roles of Internal Audit is to provide independent assurance as to how effectively risks are managed across the organisation.
- 2.2 The following assurance statements have been developed to evaluate and report audit conclusions:

★★★★ High Standard

The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. Only minor recommendations aimed at further enhancing already sound procedures.

★★★ Good Standard

The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.

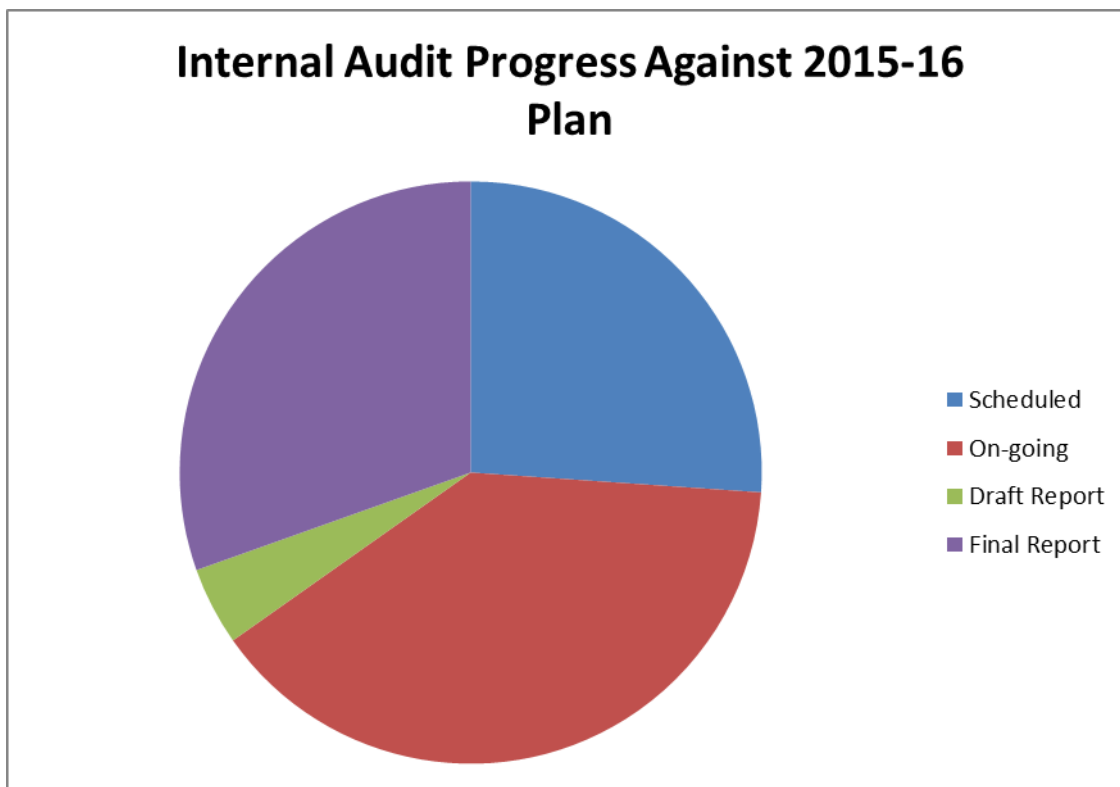
★★ Improvements Required

In the opinion of the Audit & Review Team/Devon Audit Partnership there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.

★ Fundamental Weakness Identified

The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and/or resources of the Authority may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

3. PROGRESS AGAINST THE 2015-16 PLAN



3.1 **Strategic Reviews**

Audit Area	Progress / Assurance
2014-15 Annual Statement of Assurance	The 2014-15 Annual Statement of Assurance was signed off and published alongside the Authority's Statement of Accounts in September 2015.
Strategic Audit Reviews (to be scoped with EB / SLT)	<p>Good progress is being made completing the strategic review work. To date, the following work has been completed:</p> <ul style="list-style-type: none"> • Transformation Fund Bid Review • A review of the Operational Assurance processes • A review of the Electronic Unwanted Fire Signal (Unwanted Fire Signals) Project • A value for money review of the Retained Duty System Salary Scheme • A review of the draft the Service Model against the European Foundation for Quality Management Excellence Model <p>A review of the Networked Fire Control Services Partnership Project (NFCSP) is currently being scoped.</p> <p>Additional strategic audit support will be provided in Quarter 4.</p>

ICT Assurance	The Devon Audit Partnership are currently completing an ICT Risk Register review that will inform future ICT Audit work.
Programme Assurance	A 2015-16 Programme Assurance Plan has been approved by the Programme Board. The Quarter 1 Programme Assurance Report has been finalised. The Quarter 2 Programme Assurance work is currently underway. The Quarters 3 and 4 Programme Assurance work will be completed in Quarter 4.
Firefighter Safety Assurance Map	This is scheduled to be completed in Quarter 4.
Culture Audit	Initial discussions have been held to identify how the Internal Audit days could be fed into and support existing the Service activities. The audit work has been scheduled for completion in Quarter 4.

3.2 Compliance Reviews

Audit Area	Progress / Assurance
Key Financial Systems	The Main Accounting Systems (MAS) Audit is currently in draft. The Payroll Audit has been scheduled for Quarter 4.
Commercial Services	Complete. ★★★★★ High Standard
Contract Management	Complete. ★★★★★ High Standard
Training Academy Quality System	The 2015-16 Internal Audit Plan assigned 5 days to the Academy. This was based upon an assurance mapping exercise that placed reliance upon the work carried out by the Academy Quality, Policy & Systems Team. A recent reduction in this team has meant that additional Internal Audit support is required to complete the assurance work. To date, the Audit & Review Team has supported the completion of: <ul style="list-style-type: none"> • Access & Rescue School Health Check • Maritime Health Check • Academy Management Team Health Check.
Organisational Safety Assurance System	This has been scheduled for completion in Quarter 4.

Gartan Payroll Module	The in-house Gartan Payroll Compliance system has not been in operation for several months. This system plays a key role in validating the accuracy of the Gartan claims. Internal Audit work will be completed once the system is back in use.
Capital Funding Grant	Complete. ★★★★★ High Standard
Annual Stock Take Audit	Complete. ★★★ Good Standard
Transparency Code	The Transparency Code review is currently in draft.
Information Assurance Support	Support is provided on an on-going basis. Information Assurance Accreditor Training was completed in July 2015.
National Fraud Initiative (NFI)	Good progress has been made in reviewing the 2014-15 National Fraud Initiative Data Matches. No significant issues have arisen to date.

3.3 **Audit Health Checks**

Audit Area	Progress / Assurance
Prevention – Home Safety	Completed. ★★★ Good Standard
Estates – Maintenance Management	Completed. ★★★ Good Standard
Response Support (ORIS)	This is currently in progress.
Protection - Fire Protection Advice & Enforcement	This is currently in progress.
Continuous Improvement (Systems)	This has been scheduled for completion in Quarter 4.
Emergency Call Incident Support - Call Handling	This has been scheduled for completion in Quarter 4.

3.4 Given the level of performance, the Audit & Review Team is pleased to report that all audits should have progressed to at least Draft Report by the end of the current financial year.

4. **ADDITIONAL WORK COMPLETED**

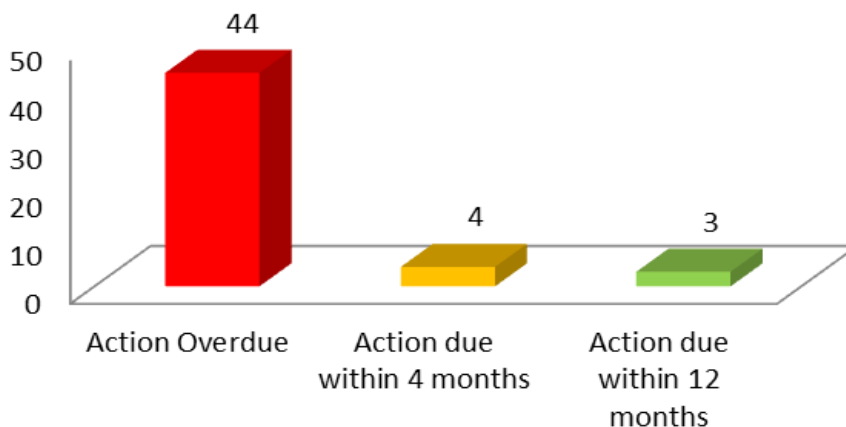
4.1 The Audit & Review Team and the Devon Audit Partnership have also completed the following additional pieces of review work:

- Human Resources Sickness Absence Reconciliation – The Audit & Review Team has worked with the Pay & Conditions Team to complete a reconciliation of the data held on the HR Workforce system.
- The design of an Retained Duty System Change Control and Review Tool to support the On Call Availability Solutions Project.
- 2014-15 Department for Communities and Local Government Protection Statistical Analysis – The Audit & Review Team completed some analysis to benchmark the performance of the Service Protection activities.
- Peer Assessment Follow Up – The Audit & Review Team has supported the Executive Officer in the completion of a follow up to the Peer Assessment.
- On-going Audit Advice and Guidance – The Audit & Review Team provides on-going audit advice and guidance in relation to all Internal and External Audit matters.

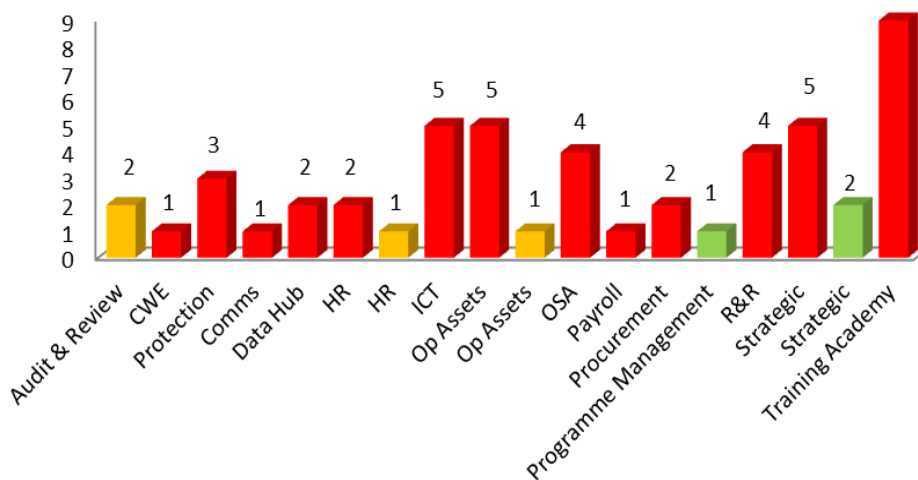
5. AUDIT & REVIEW RECOMMENDATIONS

- 5.1 The Audit & Review Team has designed and rolled out an Assurance Tracking system for managing all recommendations and agreed actions coming out of key assurance activities. The system tracks recommendations at the following assurance levels:
- External Audit
 - Annual Statement of Assurance
 - Internal Audit (Audit & Review and Devon Audit Partnership)
 - Operational Assurance
- 5.2 The Assurance Tracker has been made available to all employees through the Service Information Point (SIP).
- 5.3 A quarterly update procedure has been embedded that sees the export and distribution of outstanding recommendations to service managers to provide an update. This has been aligned to the Corporate Planning process to ensure outstanding recommendations are reviewed alongside departmental plans.
- 5.4 As at December 2015, the Assurance Tracker has 51 open 'High' or 'High / Medium' Internal Audit recommendations (including the actions recorded on the Annual Statement of Assurance) as illustrated below:

Open High / H-Medium Audit Recommendations



Open High / H-Medium Audit Recommendations : By Dept



6. KEY AUDIT FINDINGS IN PERIOD

STRATEGIC REVIEWS

(a) *Electronic Unwanted Fire Signals Project*

- 6.1 A new electronic system has been designed and piloted to support the collection and management of Unwanted Fire Signals data. The Audit & Review Team is pleased to provide a ★★★★★ High Standard of assurance that the appropriate controls are in place to manage the Unwanted Fire Signals Pilot.

- 6.2 The pilot has been able to demonstrate a clear link to the Service strategy (Public Safety and Efficiency & Effectiveness) and the new approach has been designed to reduce duplication of effort and improve the accuracy of data. The pilot has also taken the opportunity to develop the Unwanted Fire Signals process to include domestic properties.
- 6.3 The new SharePoint system enables Unwanted Fire Signals information to be effectively entered, managed, processed and shared with key stakeholders in a controlled manner. Compliance testing has demonstrated that the system is processing Unwanted Fire Signals data as expected.
- 6.4 The next challenge will be to roll out the new process across the Service, however the use of effective performance measures will help to embed the process.

(b) 2014-15 Department for Communities and Local Government Protection Statistical Analysis

- 6.5 The Department for Communities and Local Government recently published the 2014-15 operational statistics for Fire & Rescue services. These were analysed to benchmark the performance of the Service Protection activities.
- 6.6 The Audit & Review Team is pleased to report that performance levels were largely positive, the following was noted:

(i) FS1 – 2014-15 Fire Safety Audits and Outcomes

- When benchmarked against the national average and similar fire and rescue services, the Service was found to be below the average for the numbers of Fire Safety Audits that it completes. This was expected due to the Fire Safety Check process that has been adopted;
- the Service demonstrates a much higher percentage of unsatisfactory audits completed. This can be seen as a result of the Fire Safety Check process and shows that the Service's targeted approach is working with resources being maximised;
- time taken by the Service to complete its audits/inspections is very close to the national average;
- the Service improvement percentage (where a property is deemed satisfactory after enforcement action) is below the national average. This is considered to be a recording issue and is currently being investigated by the Community Safety Protection Manager.

(ii) FS2 – 2014-15 Other Enforcement Activity

- the Service is above the national average for completing building regulations and other consultation activities. Performance shows that the Service completed the highest number of building regulations and other consultation activities when compared regionally and with similar fire and rescue services.
- the Service is also above the national average for completing other fire safety activities. Performance shows that the Service completed the highest number of other fire safety activities when compared regionally and with similar fire and rescue services.

(iii) FS4 – 2014-15 Enforcement Notices

- the Service is well below all averages (national, regional, similar fire and rescue services) for the number of notices withdrawn by enforcing authority. This is a good quality indicator.

(c) Retained Duty System Salary Scheme - Value for Money Review

- 6.7 The current cost of the Retained Duty System Salary Stations (if fully crewed) was found to be close to £1.5m.
- 6.8 The Retained Duty System Salary Scheme Value for Money review was inconclusive. The impact of steadily falling fire calls and the significantly increasing Co-Responding calls in some areas has impacted upon the Value for Money conclusion.
- 6.9 In its simplest form, the current Retained Duty System Salary Scheme is based upon historic fire call activity levels. If this is still used as the main review factor (and the Co-Responder calls excluded from the activity calculation), then the significant decrease in fire calls means that the scheme currently does not compare favourably against similar Retained Duty System Stations on a Pay as You Go contract.
- 6.10 Another critical factor in the Value for Money conclusion is that the current Salary Scheme does not appear to have had a clear positive impact upon availability, retention or recruitment. This is despite a day premium rate being included in the salary payment at a total annual cost of around £160,000 across the scheme. All such issues appear to be consistent across both schemes (Salary and Pay as You Go) and are typically still very localised. The organisation needs to make a key decision as to whether any newly designed On Call Availability systems are based upon activity levels or availability.

Additional Observations

- 6.11 The significant increase in Co-Responding activity has greatly impacted upon those Retained Duty System Salary Stations that provide a Co-Responding Service. For example, Crediton and Dawlish have seen a rise of over 150% in activity in the last 10 years. The way in which Co-Responder activity is included in any On Call Availability Solution will need to be clarified.
- 6.12 There are several pilot initiatives underway across the commands to improve current availability levels manage local issues. These present a challenge to the On Call Availability Solutions Project as these have largely been un-coordinated and impact upon the ability to analyse the effectiveness of the existing Retained Duty System contracts. The On Call Availability Solutions Project will need to identify all current pilots/initiatives and work with the Lead Officers to understand the underlying issue, the approach taken and expected improvements. To support with this, the Audit & Review Team has drafted a Retained Duty System Change Control and Review Tool that can be used to manage such pilot initiatives.

(d) Quarter 1 Programme Assurance

- 6.13 The Quarter 1 assurance work has identified that there is a Medium Risk that project/ programme objectives and benefits may not be delivered. Some control improvements have been identified to further improve the existing control framework, these include:

(i) Profile Project

- 6.14 One of the key organisational learning points coming out of this review was the impact of the changes to ways of working made by the Service during the project (post tender requirements sign off). The Service had not produced a comprehensive specification document or clearly defined business rules for the project to be able to deliver against.

6.15 These issues have had a significant impact upon the project finances, an increase of £0.5m to a revised forecast of £1.5m. It should be noted that the supplier cost has remained the same; the increase has been as a result of the additional project resource requirement. All increases to the project have been approved via the formal project governance process.

(ii) Programme Risk Register

6.16 The programme (and supporting projects) can demonstrate that risks are being discussed and captured on risk registers. This is a clear indicator that the Service is starting to embed risk management and enhance its level of risk maturity. Further improvement opportunities were noted in relation to identifying all risks, reporting risks at programme board level and managing project / programme benefits.

(iii) Service Development Team

6.17 The Service Development Team was formally established in February 2015 to deliver agreed key Service Delivery projects to help the Service deliver the changes required as a result of the significant financial cuts. The Team is making good progress in moving these projects forward. The roll out of the final approved solutions will result in significant organisational change and as such, the projects are being managed sensitively and in consultation with key stakeholders. The following observations were made:

- The formation of the Service Development Team alongside the Change Programme raises the question as to whether the Team is part of a single change programme, or should be seen as a separate change programme. The current structure is a little unclear and would benefit from further clarification.
- The posts within the Service Development Team are currently secondment opportunities. There is now the opportunity to consider whether the Team will be recognised within the full time organisational establishment. The current arrangement increases the risk that key personnel may not be in a position to see a project through from conception to full implementation.
- Linked to the above point, there is the need to put in place clear job descriptions to underpin the activities completed by the Service Development Team.
- There is also the opportunity to provide further project management training to the Service Development Team. This could be achieved through formal training courses (e.g. PRINCE2 or APMP) or as part of a more informal arrangement with the in-house Project Managers.
- Linked to the above point, there is the opportunity to further integrate the Service Development Team with the in-house experienced Project Managers. This would enable the Service and the change projects to effectively combine operational knowledge and technical project management experience.
- The production of an over-arching Projects List is essential to enable future projects to be identified, planned and scheduled. This will allow the Service to identify the required resources (especially Project Managers), finances, benefit delivery and help to manage any inter dependencies. This is a key control to help the Service manage the significant financial pressures while delivering the right projects at the right time.

6.18 If the Service can achieve the right balance between operational knowledge and experience, technical project management experience and organisational governance then this will enable the Service to effectively deliver its change programme.

(iv) Sickness Data Reconciliation

- 6.19 The 2014-15 Payroll audit (completed by the Devon Audit Partnership) identified some control issues with the sickness recording system in relation to:
- Data accuracy
 - Systems Interface (between Sickness Portal and the HR Workforce system)
 - End user compliance
- 6.20 The Devon Audit Partnership gave partial assurance that appropriate controls were in place to manage the risk of incorrect sickness payments and accuracy of performance data and it was agreed that the Audit & Review Team would complete a review of the sickness portal and its operation.
- 6.21 The subsequent review of the controls underpinning the sickness portal identified that many of the inefficiencies identified within the Devon Audit Partnership audit had been resolved in version 2 of the portal (rolled out in July 2015).
- 6.22 To test the accuracy of the sickness data currently reported through the HR Workforce system, the Audit & Review Team completed a reconciliation of the workforce data to source data sets (timesheets, rotas) from 1 January 2015 to 7 August 2015.
- 6.23 Overall, 1,272 sickness days were found to be unrecorded in the sickness portal and therefore unreported on Workforce. This equates to an additional 25% of sickness days unrecorded for this period. The Audit & Review Team acknowledges that this figure does not include Retained Duty System personnel which the Service currently excludes from reporting. Including the Retained Duty System, the unreconciled figure was found to be 1,790 calendar days.
- 6.24 Elsewhere on the agenda for this meeting is a report addressing performance of the Service overall during Quarter 2 of the current (2015-16) financial year. This report contains the comment that
- “Previous performance reports have highlighted concerns around levels of sickness within the organisation which has prompted the implementation of a detailed action plan to drive improvement and since Q2, the sickness absence levels have been improving and it is anticipated that when the Q3 performance is published, we will see an improving position for sickness absence as the actions taken start to take effect”.*
- 6.25 The action plan referred to includes measures aimed at resolving the recording discrepancies referred to above and to include Retained Duty System personnel in its reporting.

COMPLIANCE REVIEWS

(a) Commercial Services ★★★★★ High Standard

- 6.26 Audit testing was able to provide a high level of assurance that the controls and governance arrangements in relation to Red One Ltd are robust.

(b) Contract Management ★★★★★ High Standard

- 6.27 Audit testing was able to provide a high level of assurance that the contract management arrangements are robust.

(c) National Fraud Initiative

- 6.28 Good progress has been made in reviewing the 2014-15 National Fraud Initiative Data Matches. No significant issues have arisen to date.

(d) Gartan Payroll Module

- 6.29 The in-house Gartan Payroll Compliance system (built by the ICT Software Development Team) has not been in operation for several months. This system plays a key role in validating the accuracy of the Gartan claims. This reduction in control therefore increases the risk that Retained Duty System payments are inaccurate.

AUDIT HEALTH CHECKS

(a) Estates – Maintenance Management ★★★ Good Standard

- 6.30 The audit health check was able to provide a good level of assurance that the controls underpinning the Estates Maintenance Team are robust.
- 6.31 The Atkins review completed in 2012 recommended a change in structure *and* service delivery to help reduce estates maintenance costs. The Estates Maintenance Team has subsequently increased its head count and number of internal jobs completed; and significantly reduced the number of external jobs and contractors used. Costs have started to decrease, with a reduction in spend of approximately £15k between 13/14 and 14/15. This is a good indicator that the strategy is effective and becoming embedded.
- 6.32 The Estates Maintenance Team has clearly demonstrated that a systematic approach to managing work streams has been applied. The new defect reporting system (K2) has had a significant impact and revolutionised a previous antiquated approach.
- 6.33 The approach is further enhanced by the positive relationship now established with the Procurement Team. Category Management has had a positive influence on the Estates Department and greater assurance can be provided that works are compliant with Chartered Institute of Procurement and Supply guidance and legislation. The new contract management approach is delivering efficiency, effectiveness and value for money.
- 6.34 It was noted that there are opportunities to further improve the performance management arrangements. Performance measures should be agreed with key stakeholders with performance against targets reported and monitored regularly. Future performance reporting should consider how a qualitative approach can be measured and include evaluation on how effective the strategy is in providing value for money.
- 6.35 All issues have been discussed with the Lead Officers and the Audit & Review Team is pleased to report that suitable action plans have been agreed to improve the management of the risks identified.

7. CONCLUSION & RECOMMENDATIONS

- 7.1 Based on the work completed to date in this year and knowledge from previous years, the systems in operation within Devon & Somerset Fire & Rescue Service continue to demonstrate a good level of internal control.
- 7.2 Both the Audit & Review Team and the Devon Audit Partnership would wish to use this report to thank all staff who have worked with them in delivering the audit programme and the willingness to positively engage in the audit process.

7.3 The progress made against the agreed Audit Plan will be reported back to this Committee at regular intervals.

Paul Hodgson
AUDIT & REVIEW MANAGER