

<b>REPORT REFERENCE NO.</b>	<b>APRC/17/6</b>
<b>MEETING</b>	<b>AUDIT &amp; PERFORMANCE REVIEW COMMITTEE</b>
<b>DATE OF MEETING</b>	<b>24 APRIL 2016</b>
<b>SUBJECT OF REPORT</b>	<b>2016-17 INTERNAL AUDIT YEAR END REPORT</b>
<b>LEAD OFFICER</b>	<b>AREA MANAGER – ORGANISATIONAL ASSURANCE</b>
<b>RECOMMENDATIONS</b>	<i>That the report be noted.</i>
<b>EXECUTIVE SUMMARY</b>	<p>Attached for consideration and discussion is the 2016-17 Internal Audit Year End Report.</p> <p>The 2016-17 Year End report combines the work of the DSFRS Audit &amp; Review Team and the Devon Audit Partnership to provide one comprehensive Internal Audit report.</p> <p>The report details the progress against the approved 2016-17 Internal Audit Plan and provides assurance statements for the audits completed.</p>
<b>RESOURCE IMPLICATIONS</b>	Nil.
<b>EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)</b>	Not applicable.
<b>APPENDICES</b>	Nil.
<b>LIST OF BACKGROUND PAPERS</b>	<p>Audit &amp; Review 2016-17 Plan</p> <p>Audit &amp; Review Service Policy</p>

## 1. **INTRODUCTION**

- 1.1 The 2016/17 Internal Audit Plan was approved by this Committee at its meeting held on the 11 April 2016. 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 Audit and Performance Review Committee with an end of year report against the plan.

## 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 2016-17 PLAN

#### 3.1 Strategic Reviews

<b>Audit Area</b>	<b>Progress / Assurance</b>
2015-16 Annual Statement of Assurance	The 2015-16 Annual Statement of Assurance was signed off and published alongside the Authority's Statement of Accounts in September 2016.
EFQM – Excellence Model	The Audit & Review Team successfully oversaw the DSFRS Committed to Excellence (C2E) Organisational Assessment.

#### 3.2 Key Financial Audit Work

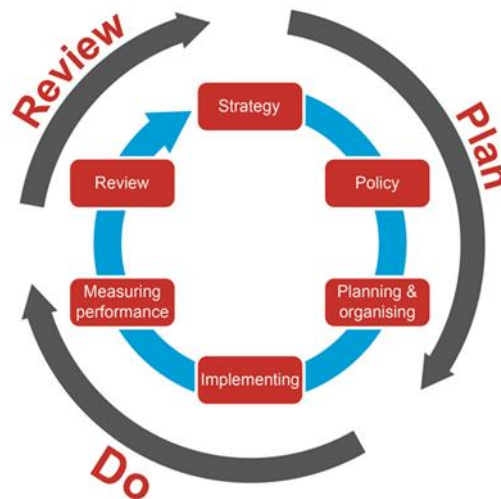
<b>Audit Area</b>	<b>Progress / Assurance</b>
Budgetary Management	Final Report issued – High Standard  The Devon Audit Partnership completed a review of the budgetary control systems and processes.
Payroll	Draft Report issued – High Standard  The Devon Audit Partnership completed a review of the administration by DSFRS of payroll. Since 2012 the payroll services has been provided by HR One (Devon County Council.)
Pensions	Draft Report issued – Good Standard  The Devon Audit Partnership completed a review of the administration of the Fire Fighters Pension Scheme was carried out during February 2017.

<b>Compliance Reviews</b>	<b>Progress / Assurance</b>
Assurance Tracking Process	The 2016-17 internal audit plan assigned 13 days to the assurance tracking process. This was based upon incorporating additional assurance areas and agreed recommendations into the assurance tracking process that a single source of tracking for multiple assessments such as Annual Statement of Assurance, EFQM and Operational Assurance.  The Audit & Review Team provide monthly reports to SLT on audit recommendations.

3.3 **Control Self-Assessment Framework**

3.4 The majority of the 2016-17 Internal Audit Plan was assigned to the development and roll out of an organisational Control Self-Assessment Framework.

3.5 The Audit & Review Team are pleased to report that the Organisational Control Self-Assessment Framework and supporting self-assessment tool have now been designed and rolled out.



3.6 The framework has been aligned to the principals of the EFQM Excellence Model, the HSG65 model and importantly the organisations own Plan, Do, Review Model. The framework has been designed to support managers embed a consistent control framework within their service area. Department plans for 2017/2018, have been updated with actions where areas of improved were identified.

3.7 The Audit & Review Team is pleased to report that all audits have progressed to final report stage, apart from one audit which is at draft report stage, 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:

Audit Area	Progress / Assurance
National Framework Compliance Review	<p>Good Standard</p> <p>To support the production of the Annual Statement of Assurance, a review of DSFRS compliance with the Fire and rescue national framework for England was completed.</p>

<b>Audit Area</b>	<b>Progress / Assurance</b>
Fire Reform Agenda Review	Good Standard  A review of the DSFRS position against the Fire Reform Agenda has been completed.
PFCSO Pilot	Good Standard  The Audit & Review Team have provided assurance / analytical support to the PFCSO Pilot. This has included a collaborative review with Devon and Cornwall Police.
Gartan Override System	Improvements Required  The Audit & Review Team have completed a review of the controls underpinning the Gartan Override System.
DSFRS / Safe South West Charity Governance Review	Improvements Required  The Devon Audit Partnership have completed a review of the governance arrangements underpinning the relationship between DSFRS and Safe South West.
RDS Crewing Pilots	The Audit & Review Team have provided assurance / analytical support to the RDS Crewing Pilot initiatives.
Academy Assurance	The Audit & Review Team have supported the Training Academy to develop its QA processes. This has included the design of the Training School Self-Assessment process that aligns to the Organisational Self-Assessment process.
HR Investigation	The Audit & Review Team have supported the HR Team with an internal investigation.
Nation Fraud Initiative (NFI)	The Audit & Review Team have co-ordinated the submission of data to the Home Office. The resulting data match reports are now under review.

4.2 All issues resulting from the Internal Audit work 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. Action plans have been added to the assurance tracker.

## **5. AUDIT & REVIEW RECOMMENDATIONS**

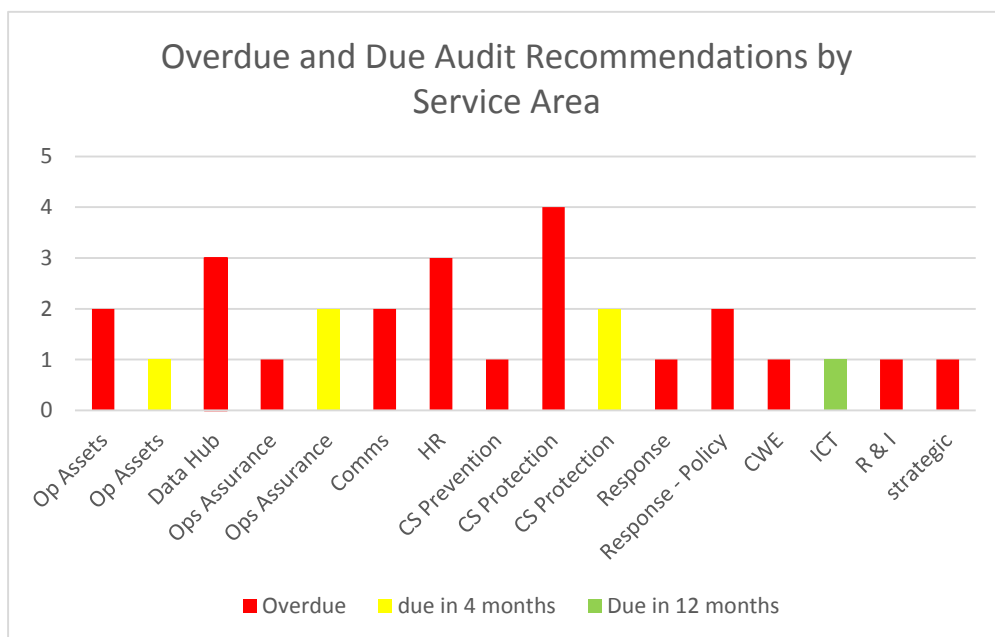
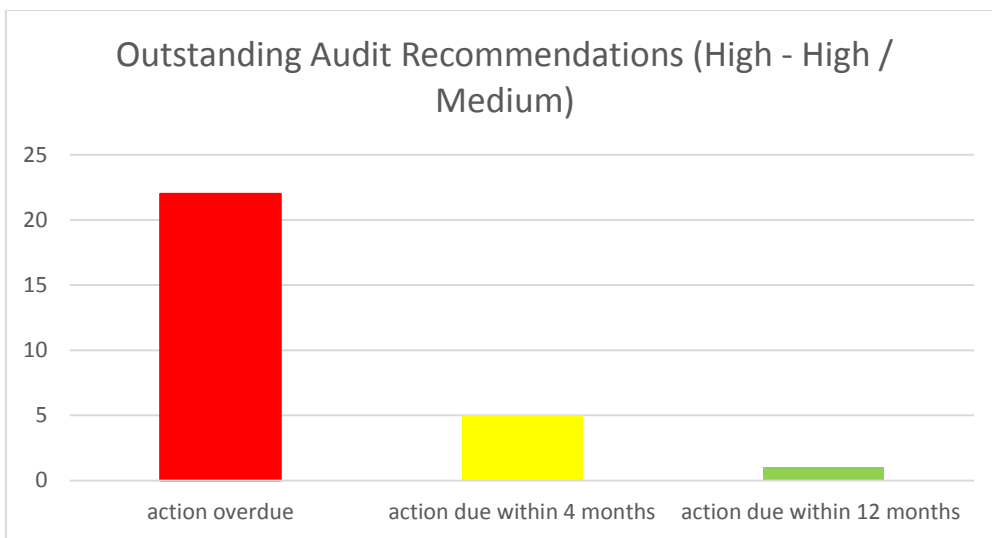
5.1 The Audit & Review Team has designed and rolled out an Assurance Tracking system for managing all recommendations and agreed actions coming out of key assurance activities. The system tracks recommendations at the following assurance levels:

- External Audit
- Annual Statement of Assurance
- Internal Audit (Audit & Review and Devon Audit Partnership)

- Operational Assurance
- EFQM

From April 2017 the assurance tracker will include recommendations from IT audits and assurance activities.

- 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.
- 5.4 As at March 2016, the Assurance Tracker has 28 open 'High' or 'High / Medium' Internal Audit recommendations (including the actions recorded on the Annual Statement of Assurance) as illustrated below. –



6.

**KEY AUDIT FINDINGS IN PERIOD****STRATEGIC REVIEWS**

<b>Audit Title</b>	<b>Audit Summary Position</b>
National Framework Compliance Review	The Audit & Review Team are pleased to report that there is sufficient evidence in place to demonstrate how DSFRS complies with the priorities recorded in the national framework document.
Fire Reform Agenda Review	The Audit & Review Team are pleased to report that there is sufficient evidence in place to demonstrate how DSFRS has in place and is further developing the expectations set out in the previous Home Secretary's speech on Fire Reform.
EFQM – Excellence Model	<p>DSFRS were awarded with C2E 2* (the highest award for this level of assessment).</p> <p>The areas for organisational improvement identified in the C2E assessment have been captured on the DSFRS Assurance Tracker. This will enable them to be included in the quarterly monitoring process.</p>
PFCSO Pilot	<p>The PFCSO Pilot has continued to operate well and is delivering the expected outcomes.</p> <p>PFCSOs are providing key availability to the fire service whilst undertaking police duties and the pilot is evidence that PCSO candidates have the right skills and attitude to undertake this role.</p>
DSFRS / Safe South West Charity Governance Review	The Audit identified the need to re-recognise the independence of SAFE from DSFRS. It was recommended that SAFE should (be asked to) prepare a business plan, setting out what it aims to achieve, how it will do this and what resources it will need to achieve this and that the DSFRS Community Safety Team prepare a departmental plan setting out Fire Service direction. Decisions were also required on the future arrangements for the Charity Coordinator Post.

**COMPLIANCE REVIEWS**

<b>Audit Title</b>	<b>Audit Summary Position</b>
Budgetary Management	The risks associated with the budgetary control systems and processes of the Fire Service were found to be well controlled. The budget holders are responsible for the budget setting and subsequent monitoring with challenge and support being provided by the Executive Board and the Finance Team.
Payroll	The risks associated with the administration of the payroll process and system included changes, payment variations and segregation of duties were well controlled. 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. Minor recommendations made which are aimed at further enhancing already sound procedures.

Audit Title	Audit Summary Position
Pensions	<p>Risks associated with the administration of the Fire Fighters Pension Scheme was carried out during February 2017.</p> <p>The objective of the review is to ensure the Fire Fighters Pension Scheme is being administered in accordance in the Pension Regulations. The review covered the 1992, 2006 &amp; 2015 schemes but excluded the non-uniformed personnel (LPGS) and the 2006 modified scheme for retained fire fighters. D&amp;SFRA requested that the audit focusses mainly on the 1992 Scheme, due to the number of retirements ongoing and due over the coming months, and therefore presents a higher risk.</p>
Gartan Override System	<p>The Gartan Override system enables station officers to override individual competencies to allow the station to remain on the run. While there can be good reason for applying the override, this process need to be closely controlled to manage the associated risk.</p> <p>Operational Resource Centre team review all uses of Gartan Skills Overrides to ensure they are appropriate and safe. System changes have been agreed and development time is to be confirmed.</p>

- 6.1 All issues resulting from the Internal Audit work 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.

### **CONCLUSION & RECOMMENDATIONS**

- 7.1 Based on the work completed and knowledge from previous years, the systems in operation within Devon & Somerset Fire & Rescue Service demonstrate a good level of internal control.
- 7.2 Budget pressures are causing many Public Sector Organisations to review operational and administrative practice and staffing levels. This inevitably has an impact on internal control arrangements and we would urge the Service to consult with us to assess the internal control and risk management implications of any proposed changes.
- 7.3 The Audit and Review Team would like to use this report to thank all staff who have worked with us in delivering the audit programme and the willingness to positively engage in the audit process.
- 7.4 It is recommended that the report be noted.

**GAVIN ELLIS**  
**Area Manager – Organisational Assurance**