

REPORT REFERENCE NO.	AGC/21/2
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	30 JULY 2021
SUBJECT OF REPORT	INTERNAL AUDIT 2020-21 YEAR END REPORT
LEAD OFFICER	DIRECTOR OF GOVERNANCE & DIGITAL SERVICES
RECOMMENDATIONS	<i>That the report and the opinion on the Internal Control Environment be noted.</i>
EXECUTIVE SUMMARY	<p>Internal Audit activities across Devon & Somerset Fire & Rescue Service are managed through a shared service agreement whereby Internal Audit and the Devon Audit Partnership (DAP) work together to deliver the Internal Audit Plan.</p> <p>This is the closing Internal Audit Annual Report to the Committee for the financial year 2020–21. This report sets out progress that was made against the approved 2020-21 Internal Audit Plan, and updates on additional review work undertaken.</p> <p>The report also provides an overview of the assurance tracking process and the current high priority recommendations that remain as ‘open’ on the assurance tracker.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ASSESSMENT	Not applicable.
APPENDICES	Appendix 1 : Annual Internal Audit Plan for 2020-21
BACKGROUND PAPERS	Internal Audit 2020-21 Plan

1. **INTRODUCTION**

- 1.1 At its meeting of 4 March 2020, the former Audit & Performance Review Committee approved the Annual Audit Plan for 2020-21, shown in **Appendix 1**. The Plan sets out the number of days available for the combined scope of internal audit work to be completed by Internal Audit and the Devon Audit Partnership. This work is a significant source of assurance for the effectiveness of the Authority's internal control environment.
- 1.2 Internal Audit and the Devon Audit Partnership are accountable for the delivery of the Plan and the Internal Audit Charter includes the requirement to report progress to this Committee at least three times per year.
- 1.3 The key objective of this report is therefore to provide the Committee with a progress report against the Plan and to provide the assurance statements for all audits that were completed during 2020-21. The Plan was revised during the year as part of the consideration of the impacts of Covid-19, recognising that business continuity arrangements meant that the Plan was unable to progress in the usual manner.
- 1.4 The report also includes an overview of the assurance tracking process and the current high priority recommendations that remain as 'open' on the assurance tracker.

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 were used in 2020-21 to evaluate and report audit conclusions:

ASSURANCE	DEFINITION
Substantial Assurance	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.
Reasonable Assurance	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.

ASSURANCE	DEFINITION
Limited Assurance	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.
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 to effectively manage risks to the achievement of objectives in the area audited.

2.3 The following recommendation priorities have been developed to evaluate and report where weakness or opportunity is identified.

PRIORITY	DEFINITION
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	A recommendation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These recommendations do not feed into the assurance control environment.

3. PROGRESS AGAINST THE 2020-21 PLAN

3.1 Prior to Covid-19, the original 2020-21 Internal Audit Plan included 228 internal audit days assigned to deliver the plan. This consisted of 143 days provided by the Service's Internal Audit and Review Manager and 85 days by Devon Audit Partnership.

- 3.2 As part of the Business Continuity arrangements in response to Covid-19, the Internal Audit & Review Manager was reassigned to the Business Continuity Assurance Cell. This reduced their number of days available to carry out internal audit from 143 to 19 days. Devon Audit Partnership provided 67 of their 85 planned days of internal audit activity during the Covid-19 restrictions. This resulted in a revised total of 86 internal audit days for 2020/21, a reduction of 62% in planned internal audit activity.
- 3.3 Although this is a reduction in the number of assurance areas reported to the Committee in the previous year's annual report, it does reflect the impact and disruption of Covid-19. Instead of delivering the internal audit plan, a key requirement of the Internal Audit Service in 2020-21 was to be agile in supporting the Business Continuity arrangements, providing assurance, as required, to senior management throughout a turbulent year. This included rebasing planned time to focus on key issues and risks agreed with senior management and continuing to support the Service's Covid-19 work and Business Continuity arrangements.
- 3.4 The table below provides an update on individual areas of work completed in 2020-21. There has been overrun on one audit, primarily linked to the challenges already described, the move to remote working and the secondment of the Audit & Review Manager to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). Although the move to remote working has invariably impacted performance due to a range of issues, including access to systems / data and access to team members and management during Covid-19 restrictions, it should be noted that productivity has increased as the year progressed as the Service and Devon Audit Partnership adapted to remote working.

Assurance Area	Status	Summary of Findings / Update	Audit Opinion
Outstanding from 2019-20 Internal Audit Plan:			
Cultural – Attitudes to Performance	Complete	Devon Audit Partnership identified a number of areas where qualitative feedback identified possible areas for improvement, or management consideration, including in relation to addressing barriers to doing the job well, visibility and communication of organisational performance measures and how these link to Departmental / team performance and cultural issues in respect of team morale, and the provision of line management feedback on individual development, including strength and weakness. Audit recommendations have been made for these areas accordingly.	Reasonable Assurance

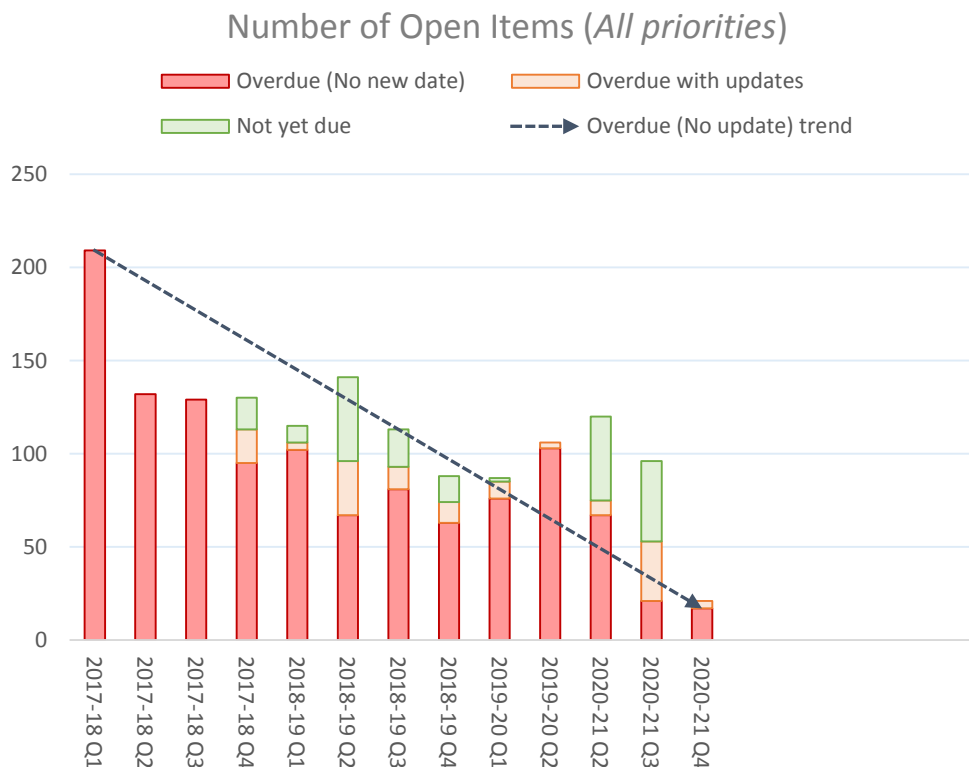
Assurance Area	Status	Summary of Findings / Update	Audit Opinion
2020-21 Internal Audit Plan:			
Key Financial Systems	Complete	<p>There have been few changes within the Finance and Payroll services, with established software systems and staff in place. Key Financial Systems continue to operate effectively overall with measures in place which mitigate risk to varying degrees in most areas tested.</p> <p>The pandemic had a fairly significant impact on debtor recovery this year, with large increases in long-standing debt. This will need to be monitored appropriately over the coming months, and remedial action put in place, should the need arise.</p>	Reasonable Assurance
Purchase Card Audit	Complete	<p>There is a comprehensive framework around the use of Purchase Cards, with elements of management and monitoring undertaken by the Authority's Procurement Department. In response to the Covid-19 pandemic, working practices in relation to purchase cards have changed, in particular budget holder authorisation and record retention. A number of elements of non-compliance with guidance, policy and procedure were identified related to changes in practice.</p> <p>Opportunities to strengthen the purchase card control framework were identified. DAP identified key findings that could contribute to a significant level of risk to the Authority. Of key concern are the retention of records within a remote working setting and accuracy and completeness of VAT recording, both of which could have significant HM</p>	Limited Assurance

Assurance Area	Status	Summary of Findings / Update	Audit Opinion
		Revenue and Customs (HMRC) consequences. The current lack of budget holder authorisation may result in a residual risk of inappropriate / incorrect card use and the policy and procedural framework does not reflect current / required practice.	
Culture – Psychological Safety and the Impact of Covid-19	Complete	<p>The response rate of the staff survey that DAP carried out was fairly low overall, so caution should be applied in identifying any potential trends or patterns. There were, however, a number of potential issues identified which may be indicative of trends due to them being raised by multiple individuals. Examples of these included:</p> <ul style="list-style-type: none"> • Support staff input not valued; • On call staff feeling undervalued; • The existence of 'cliques' within certain service areas; • Resistance to change; • Issues arising from training delivery; • Perception that contributions do not lead to positive results; and • A perception that to challenge the status quo may have negative repercussions. 	Limited Assurance

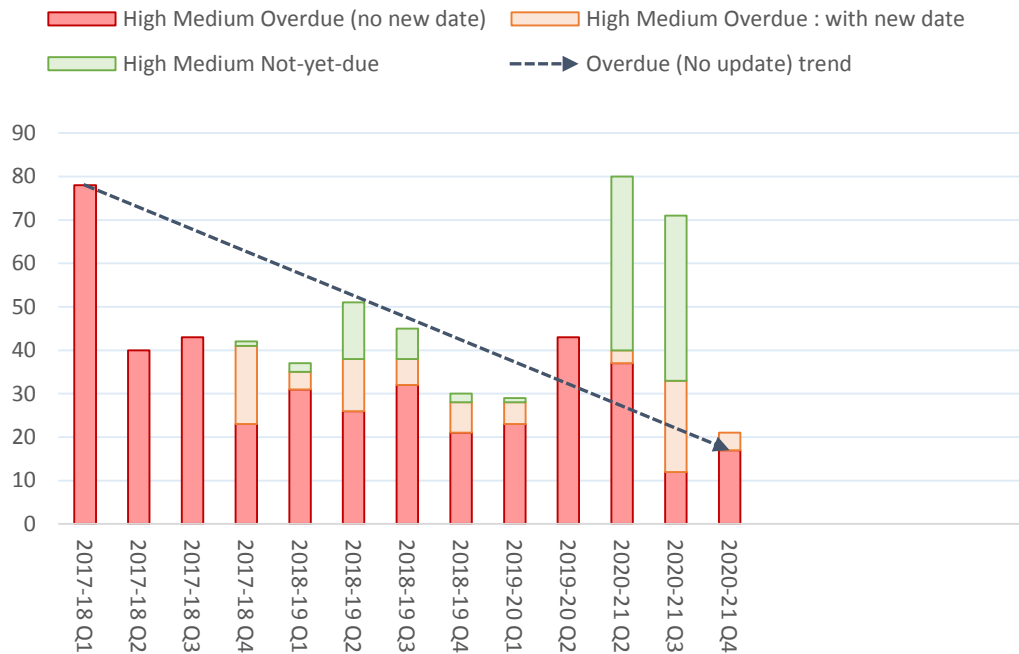
Assurance Area	Status	Summary of Findings / Update	Audit Opinion
Operational Training Academy	Complete	<p>The information for this audit was gathered as the Academy was scheduling commencement of practical training after suspending training due to Covid-19.</p> <p>The key findings were that the Academy had generally sound systems of governance, risk management and control in place. The identified opportunities for improvement formed the basis for actions agreed with the Academy management team. Many of these were already addressed by previously scheduled changes to the Academy, however, those actions which were not already addressed, such as more regular review of the Academy's risk register, have been captured on the Assurance Tracker for regular updates.</p>	Reasonable Assurance
Health & Safety (PPE)	In progress	<p>The start date for the fieldwork of this internal audit was postponed and has now been added to the 2021-22 plan. The internal audit scope and objectives have been completed, with fieldwork to commence in Quarter 3 of 2021-22.</p> <p>The objective of this audit is to establish compliance with Personal Protective Equipment (PPE) training, legislation and requirements. The aim initially will be to review internal systems and processes, involving initial requirements, procurement and fitting, concluding in how compliant the service is in regards to training and refresher training of PPE use.</p>	TBC

4. **AUDIT & REVIEW RECOMMENDATIONS**

- 4.1 All of the identified weaknesses in the control environment have been discussed with the Lead Officers and Internal Audit are pleased to report that suitable action plans have been agreed to improve the management of any risks identified.
- 4.2 The Audit & Review Assurance Tracking system records all recommendations and agreed actions arising from internal audit work and the Annual Statement of Assurance. 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.
- 4.3 The follow-up of recommendations is prioritised on ensuring that high and medium level recommendations have been implemented. This is because the high and medium level recommendations made will have either identified significant risks, or identified improvements that could help the Service to achieve its objectives.
- 4.4 The overdue actions, in the graphs below, are largely linked to longer term project work that remain ongoing and are monitored through the assurance tracking process.
- 4.5 A number of open actions during 2020-21 have been superseded by changes to the Service structure, digital transformation and other actions. The focus during Quarters 3 and 4 has been on updating the Assurance Tracker to ensure that actions that have been superseded are documented and recorded as closed. This has had a positive impact on the number of open actions, as can be seen in the charts below.



Number of Open Items (*High / Medium High priorities*)



4.6 The Assurance Tracker is available to all employees through the Service Information Point (SIP) and will be made available to the public in the future to fall in line with the Fire & Rescue National Framework document.

5. **CONCLUSION & RECOMMENDATIONS**

5.1 Of the audits completed in 2020-21 where an assurance rating has been given, three audits have been given an opinion of 'Reasonable Assurance' and two audits have been given an opinion of 'Limited Assurance'. There have been no internal audit reports issued this year where it was considered that the systems of internal control resulted in an audit opinion of 'No Assurance'. Based on the work completed to date in this year and knowledge from previous years, the systems in operation within the Service demonstrate a reasonable level of internal control.

5.2 Both Internal Audit and the Devon Audit Partnership 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.

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

Mike Pearson
Director of Governance & Digital Services

APPENDIX 1 TO REPORT AGC/21/2

2020/21 Internal Audit Plan

Audit & Review days	143
Devon Audit Partnership (DAP) days - Risk Based Audit	50
Devon Audit Partnership (DAP) days - Key Financial Systems	35
HMICFRS	200
Information Assurance	158
IT Security days	110
Operational Assurance	315
Organisational Safety & Assurance	499
Total Assurance Days	1367

Types of reviews included :

Strategic Reviews

Annual Statement of Assurance	5
HMICFRS	200
Total	205

Compliance Reviews

Key Financial Systems (DAP)	35
Data Protection Compliance monitoring	158
Total	193

Audit Health Checks

IT Health Check - Corporate	15
IT Health Check - NFSP	25
RMADS	15
Code of Connection (Airwave/ESN)	10
ISO 27001 Alignment	45
Total	110

Internal Audit

Annual Internal Audits	65
Risk Based Audit (inc. Contingency)	163
Total	228

Other Continuous Improvement & Assurance activity	631
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