

Internal Audit Progress Report 2018/19

June 2019

**Hampshire Fire and Rescue Authority:
Standards and Governance Committee**



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards, updated in 2017, [the Standards].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations 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’.

Hampshire Fire and Rescue Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising Hampshire Fire and Rescue Authority that these arrangements are in place and operating effectively.

Hampshire Fire and Rescue Authority’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Purpose of report

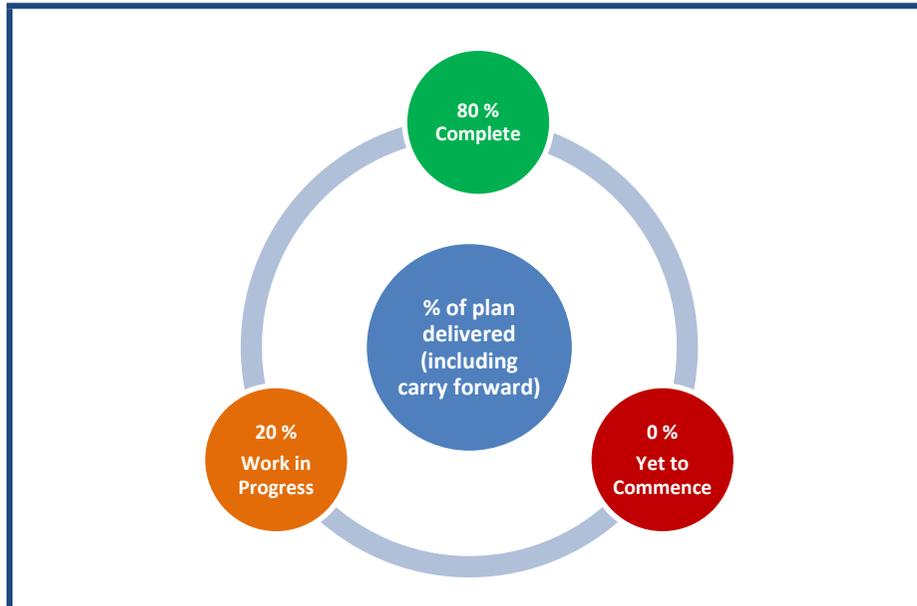
In accordance with proper internal audit practices (Public Sector Internal Audit Standards) and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to Senior Management and the Board, summarising:

- The status of live internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).

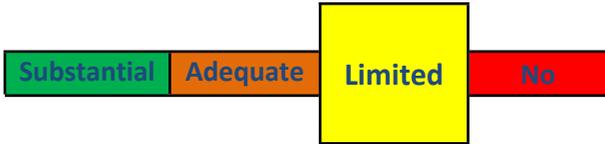
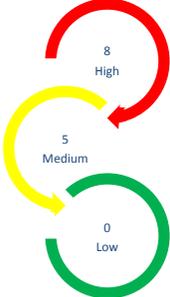
4. Status of 'Live' Reports and reports closed since our last progress report

Audit Review	Report Date	Audit Sponsor	SMT Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
2015/16									
Business Continuity	7.6.16	H of R&S	DCFO	Limited	12(3)	0(0)	0(0)	7(3)	5(0)
2016/17									
Procurement processes	22.6.17	RM	C of S	Limited	9(3)	0(0)	0(0)	9(3)	0 (0)
2017/18									
Safeguarding	15.06.18	H of CS	D of O	Limited	17(11)	0(0)	0 (0)	13 (7)	4(4)
HFRS Information Management/Security (GDPR)	03.08.18	G&CM	C of S	Limited	13 (4)	0 (0)	0 (0)	13 (4)	0 (0)
CIPFA Counter Fraud Assessment	02.04.19	FBP	CFO	N/A	4 (0)	0 (0)	2 (0)	2 (0)	0 (0)
2018/19									
Contract Management	10.01.19	RM	C of S	Limited	9 (3)	0 (0)	8 (2)	1 (1)	0 (0)
Business Continuity (IT)	21.01.19	H of ICT	C of S	Limited	10 (8)*	0 (0)	9 (7)	1 (1)	0 (0)

Resource Management	16.05.19	H of P&OD	CFO	Limited	13 (8)	0 (0)	8 (5)	4 (3)	1 (0)
Pay Claims	16.05.19	H of F	CFO	Limited	17 (0)	0 (0)	12 (0)	0 (0)	5 (0)
Cyber Security	23.05.19	H of ICT	C of S	Limited	9 (8)	0 (0)	9 (8)	0 (0)	0 (0)
IT Strategy	23.05.19	H of ICT	C of S	Limited	8 (4)	0 (0)	8 (4)	0 (0)	0 (0)

*target dates have been extended for 6 of the actions

5. Executive Summaries of new reports published concluding a Limited or No assurance opinion

Resource Management		
<p>SMT Audit Sponsor: Neil Odin, Chief Fire Officer</p> <p>Key Contacts: Molly Rowland, Head of People and Organisational Development</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>There is no over-arching Workforce Planning Strategy in place to outline and support the future resource requirements for Grey Book staff. Despite training being given to all budget holders in January 2018 we found that there is a lack of budget monitoring by the Resource Management Group RMG and Station Managers on the overall staff costs. In addition, we could find no evidence that the financial implications of filling resource gaps are considered and understood before decisions are made. Short term gaps are generally filled using the staff bank, with longer term gaps addressed through fixed term contracts where appropriate. Where fixed term contract appointment were made, we could not always find evidence of appropriate approvals.</p> <p>Due to the fragmented nature in the way that claims are submitted to support additional hours worked, there is no oversight of the total numbers of hours a fire fighter has completed each week which could lead to a breach of the EU working time directive.</p> <p>Hours worked via the “staff bank” are not assigned against the station/area where the work has been completed and the costs are being coded to a single cost centre which means that the financial monitoring reports for each station/area do not reflect the true cost.</p>		

There is no interface between Firewatch and the SAP accounting system which means that pay claims are completed on paper forms and reinput into the system manually. This increases the risk of error and reduces efficiency.

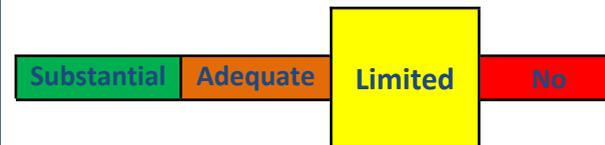
Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.

Business Continuity and Disaster Recovery (IT)

SMT Audit Sponsor: Matt Robertson, Chief of Staff

Key Contacts: Tony Oliver – Head of ICT

Assurance opinion:



Management Actions:



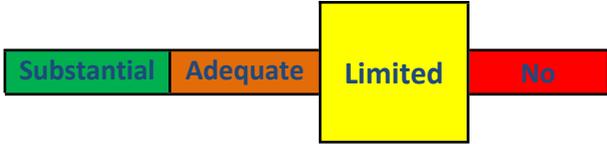
Summary of key observations:

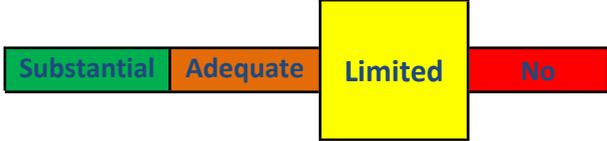
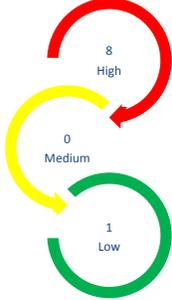
At present there is no disaster recovery plan. This should be created and tested at the earliest opportunity to ensure that recovery of IT services in the event of a disaster can be efficient and effective.

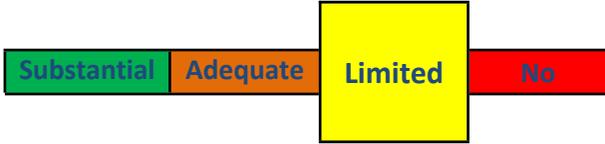
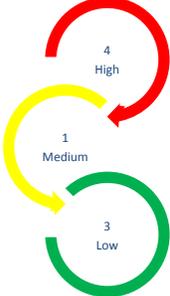
In the event of a power loss at the secondary data centre it is likely that the UPS batteries will be depleted before a member of staff can arrive on site to engage the backup generator leading to a complete loss of site function.

Work is already underway to provide sufficient bandwidth for the internet link between the primary and secondary data centres, however, to enable realisation of the plan to allow automatic switch-over between the primary and secondary sites in the event of a disaster, additional servers and network equipment will be required at the secondary site.

Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.

<p>Pay Claims</p> <p>SMT Audit Sponsor: Neil Odin, Chief Fire Officer</p> <p>Key Contacts: Rob Carr, Head of Finance; Shantha Dickinson, Director of Assurance and Performance; Molly Rowland, Head of People and Organisational Development</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>The Allowance Handbook does not detail all allowance types that can be made to staff. Lack of guidance could result in the incorrect application of an allowance type and in addition staff involved with the initiation and authorisation of allowances have not been given any instruction/training. Testing highlighted that a number of allowances were applied to the incorrect allowance type, which may affect the requirement for re-authorisation and lead to allowances remaining in place for longer than required.</p> <p>Neither overall budget or detailed expenditure monitoring of allowances is undertaken at senior or operational management level. Authorisation remains at the point of allowance submission and is not monitored as part of any retrospective financial control and review process.</p> <p>We also found that allowances are not being reviewed regularly to ensure they remain timely and relevant and end dates are not always being input onto the payroll record in accordance with system requirements, which could result in allowances continuing to be paid beyond the approved timescale. There are no systems in place to generate reports for the purposes of validating paper or self service allowance claims or selecting claims for random detailed checks to be carried out.</p> <p>Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.</p>		

<p>Cyber Security</p>		
<p>SMT Audit Sponsor: Matt Robertson, Chief of Staff</p> <p>Key Contacts: Tony Oliver, Head of ICT</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>Remote access to HFRS IT systems is secured through the use of a virtual private network (VPN) to protect data in transit and two factor authentication to secure user’s accounts from inappropriate access. We found that robust processes are in place to ensure that anti-malware software is installed, configured, and kept up to date on all computers and cyber security threats have been identified and recorded in the IT Security risk register. The HFRS network is also being monitored to identify and protect against cyber security threats.</p> <p>However, we found the following issues:</p> <ul style="list-style-type: none"> • Server operating system and application updates are not always being applied promptly to mitigate against known security vulnerabilities. • There is no cyber security incident response plan in place. Such a plan would aid in the response to and efficient recovery from cyber security incidents. • Elements of cyber security training are covered and made available to HFRS support staff as part of the compulsory GDPR training, however the completion rate at the time of testing was only 76%. As staff are the first line of defence against social engineering attacks such as phishing, awareness of such attacks is of high importance. <p>Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.</p>		

IT Strategy		
<p>SMT Audit Sponsor: Matt Robertson, Chief of Staff</p> <p>Key Contacts: Tony Oliver, Head of ICT</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>Although the 'ISB Deliverables' tracker demonstrates that activities and deliverables of the ICT department are aligned with the HFRS Service Plan and a high-level strategy has been created and presented to the Infrastructure and Security Board, this does not include any strategic future planning or the technical details of how these plans would be realised.</p> <p>Whilst there is no single document that articulates a full and detailed IT strategy, many of the existing documents provided cover individual elements of this. Bringing these elements together in addition to roadmaps for future strategic and technical developments would provide a good basis for a fuller, more complete IT strategy document once reviewed by the relevant governance boards.</p> <p>We also found that although Service Level Agreements (SLAs) have been documented, there are no current SLAs in place and that no key performance indicators have been established to measure and demonstrate the success of the ICT department in delivering services.</p> <p>Appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.</p>		

6. Planning & Resourcing

The internal audit plan for 2018/2019 was approved by the Hampshire Fire and Rescue Service Management Team and the Standards and Governance Committee in March 2018.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of Hampshire Fire and Rescue Authority. Progress against the plan is detailed within section 7. Four days have been moved from the management allocation to enable follow up work to be undertaken on the budgetary control and safeguarding reviews carried out in 2017/18. Additional work has been undertaken on a special investigation.

Following discussions with the Head of ICT, the Network and Communications review has been removed from the plan and replaced with an audit of IT Security.

7. Rolling Work Programme

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Shared services audit plan 2017/18										
Statutory Checks			✓	✓	✓	✓	02.11.18	Limited		
Audit Plan 2018/19										
Contract Management	RM	C of S	✓	✓	✓	✓	10.01.19	Limited		
Resource Management	H of P&OD	CFO	✓	✓	✓	✓	16.05.19	Limited		
Data Quality - IT Asset Management - Data	H of ICT	C of S	✓	✓	✓	✓			✗	
GDPR	G&CM	C of S	✓	✓	✓	✓			✗	
Special Investigation		D of P&A	✓	✓	✓	✓	Complete	N/A		
Pay Claims	H of P	CFO	✓	✓	✓	✓	16.05.19	Limited		

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
NFI	H of P	D of P&A	N/A	N/A	N/A	N/A	N/A	N/A		
Firewatch										Removed from plan
IT Strategy	H of ICT	C of S	✓	✓	✓	✓	23.05.19	Limited		
Business Continuity (IT)	H of ICT	C of S	✓	✓	✓	✓	22.01.19	Limited		
Cyber Security	H of ICT	C of S	✓	✓	✓	✓	23.05.19	Limited		
Networks & Communications	H of ICT	C of S								Removed from plan
Follow up	H of P	D of P&A	N/A	N/A	✓	N/A	✓			
Shared services audit plan 2018/19										
Payroll			✓	✓	✓	✓	6.3.19	Substantial		
Order to Cash (OTC)			✓	✓	✓	✓	10.4.19	Adequate		
Purchase to pay (P2P)			✓	✓	✓	✓	27.02.19	Adequate		

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Treasury Management										Audit deferred due to change in Prudential Code
Debt Collection			✓	✓	✓	✓	1.4.19	Adequate		
Governance arrangements			✓	✓	✓	✓	7.11.18	Adequate		
ICT – User Access			✓	✓	✓				✗	
Recruitment & Induction										Deferred due to timing of new system and ongoing development work with the Transformation Team

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ⚠ Delay)	Comment
Workforce Development			✓	✓	✓	✓	Complete	N/A		Consultancy/ Advisory work
Ill Health Retirement & Death in Service			✓	✓	✓	✓	14.5.19	Substantial		
Sick Pay			✓	✓	✓	✓			⚠	
IR35										Audit deferred
Occupational Health										Clinical review
Category Management										Audit deferred – no new category plans since last review.
Procurement			✓	✓	✓	✓	20.3.19	Adequate		
Master Data Team			✓	✓	✓	✓	2.4.19	Adequate		

Audit Review	Audit Sponsor	SMT Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Commercial Waste Contract			✓	✓	✓				✗	

Key to abbreviations:	
CFO	Chief Fire Officer
DCFO	Deputy Chief Fire Officer
D of O	Director of Operations
C of S	Chief of Staff
H of F	Head of Finance
H of ICT	Head of ICT
H of P&OD	Head of People and Organisational Development
D of P&A	Director of Performance and Assurance
H of P	Head of Performance
RM	Relationship Manager

H of R and S	Head of Risk and Strategy
H of CS	Head of Community Safety - Prevention, Protection, Response, Blue Light Collaboration
G&C M	Governance and Compliance Manager
FBP	Finance Business Partner
N/A	Not applicable