

APPENDIX A

Standards and Governance Committee

(electronic submission owing to the May Committee being cancelled)



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

Date: Electronic submission

Title: **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS
REPORT, 20 May 2020**

Report of Chief Fire Officer

SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with:
 - an overview of internal audit work completed in accordance with the approved audit plan; and
 - an overview of the status of 'live' reports.
2. It also provides an update on management actions that have not been completed within their target date and their status. The Standards and Governance Committee has a key scrutiny role in monitoring the implementation of internal actions.
3. Considering the current COVID-19 pandemic, adjustments have had to be made to the audit plan and the constrained situation has made engagement with, and updates from, teams across various functions more challenging. However, the Service's Performance and Assurance directorate continues to provide various assurance mechanisms and activity, including in relation to internal audit, HMICFRS activity and change (projects and programmes) management.

BACKGROUND

4. 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'.

5. In accordance with proper internal audit practices and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Standards and Governance Committee, 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.
6. The internal audit service is provided to the Authority by the Southern Internal Audit Partnership (SIAP) at Hampshire County Council. There is an Internal Audit Charter that has been in place since 2014. This, and the Internal Audit Plan, are reviewed and updated to reflect changing organisational priorities and needs.
7. The internal audit follow-up process is an important element in our overall approach to risk management, assurance and governance. When an action is agreed by managers to address a control weakness, or to make an improvement to the way we work, it is important that the action is then implemented as planned.
8. The HFRS Organisational Assurance team maintains a record of audits against the current Internal Audit Plan, noting whether they are in progress or have been completed. The respective managers are responsible for the delivery of actions that fall within their areas of responsibility.
9. Once a final audit report has been issued, the agreed management actions are recorded along with:
 - the priority of the recommendation;
 - the target date for implementation; and
 - the person responsible for the action.
10. The Organisational Assurance team will ask for confirmation and evidence that an action has been implemented, or if not, when it is expected to be. Any recommendations that continue to remain outstanding are referred to the relevant Director. Our internal Integrated Performance and Assurance Board (IPAB) also provides an overview of outstanding recommendations, and they are also monitored regularly by the Director of Performance & Assurance and the Head of Performance.
11. In response to the COVID-19 situation, there has been ongoing dialogue with HFRS and SIAP on completing residual aspects of the 2019/20 audit plan and on the impact on, and revisions to, the 2020/21 plan. While internal

audit activity and liaison has been impacted by COVID-19, we continue to liaise with SIAP regular to deliver a programme of assurance.

INTERNAL AUDIT PLAN

12. There was a total of nine audits planned for 2019/20 including proactive fraud work but excluding the Shared Services internal audit plan. One of the audits, *Risk Management*, however, given the ongoing policy and procedure development in this area, has been revised into a position statement to review the policy and to ratify that the plans in place meet the level of required assurance.
13. Out of the remaining eight audit reviews, five have been finalised:
 - The *Health and Safety* audit received an assurance rating of 'Adequate'.
 - The *Academy Training Quality Assurance* audit received an assurance rating of 'Limited'.
 - The *Procurement Processes* Audit also received 'Limited' assurance, however, it was noted that this was due to compliance with the framework rather than weaknesses in the controls.
 - The business continuity position statement review that concluded that once fully embedded across HFRS, the business continuity framework will provide a robust control framework and address the risks identified in the previous audit.
 - Another investigation for the Head of People & Organisational Development was also produced (in December 2019).
14. The Academy Training QA audit identified a number of issues with 22 management actions highlighting particular areas for improvement. The Academy was aware of many of these issues, which is why they sought additional external assurance through the internal audit. The Academy action plan in response to the audit report is underway and on track with some actions already being completed. The current review of an overarching procedure document will also be completed as part of this work.
15. The Procurement Process audit also highlighted a number of issues (with 11 management actions identified). However, it is worth highlighting that while the audit report sample testing found a number of significant instances of non-compliance, internal audit concluded that they considered the framework of control to be adequate. Work is already underway to respond accordingly. The main action around procurement and non-compliance is a new piece of e-learning that will go onto Moodle shortly. This will have internal comms support and we will ensure it is referenced in any induction packages. Prior to this e-learning there has been limited training on procurement which may have contributed to the non-compliance issues.

16. The other reviews, including follow-up audit activities and quality assurance in a specific policy area, are currently ongoing and, in some cases, are awaiting finalisation and approval.
17. In addition to this, the first of two planned audits for 2020/21 Quarter 1, ICT Policies and Procedures, is moving ahead as planned making use of the technology now available to us through Office 365.
18. The other 2020/21 Quarter 1 audit, *Assurance of the competence of operational response capability*, has had to be postponed to a later, to be confirmed, date in the financial year as the current unprecedented circumstances of COVID-19 have impacted teams that will be feeding into this audit and we have also had to make changes to our approach to training and qualifications. We are exploring how we can revise the sequencing of the audit plan following this postponement.

MANAGEMENT ACTIONS

19. The table below lists those recommendations that are currently outstanding beyond their agreed target date and of medium (M) or high (H) priority. There is a brief commentary against each to explain the status and any mitigating factors.

Internal Audit Management Actions			
Business Continuity			
Comprehensive review of Resilience Plan testing and exercising to be undertaken and an appropriate schedule commencing January 2017 put in place to meet organisational requirements.	January 2019 revised to January 2021	M	The Business Continuity policy and procedure were signed off in December 2019. The procedure contains a Training and Exercising Programme. Furthermore, as noted above, a recent internal audit position statement concluded that once fully embedded across HFRS, the business continuity framework will provide a robust control framework and address the risks identified in the previous audit.
A robust recording and evaluation process to be put in place for Service Resilience events to support current arrangements	January 2019 revised to January 2021	M	Work towards the completion of these actions has been slowed due to work involved in planning for the European Union (EU) exit with Local Resilience Forum (LRF) partners, as

and to allow lessons learned to be identified and actioned.			<p>well as the current COVID-19 situation.</p> <p>Furthermore, following the position statement in 2019/20, a more comprehensive internal audit in this area is planned for Q3 2020/21.</p> <p>The current situation has demonstrated our strong business continuity response in various areas – both externally (e.g. feeding into the Local Resilience Forum and leading on various cells/workstreams, such as for logistics and business continuity, in support of the Strategic Coordination and Tactical Coordination Groups; and hosting the Strategic Coordination Centre) and internally (enacting business continuity plans and resilience activity, eg. through the Pandemic Management Team into the Executive Management Group).</p>
Proactive Pay Claims			
The intention is to remove the ability to submit paper claims in future. Initially the Resource Management Team (RMT) will handle the processing of all allowance changes.	June 2019 to April 2021	M	This has been impacted by the work around wage types in preparation for the new CFA in April 2021. As the changes to the IBC system are significant, the IBC intends to make the changes during the planned change for CFA than action two separate, large changes within the year.
Intention is to either remove the "miscellaneous payment" wage type for HFRS personnel or, as a minimum, limit it substantially to prevent potential misuse.	October 2019 to September 2020	M	Paper forms continue to be used for a limited number of claims and greater clarity of which forms to use will be updated in the Allowances handbook by 1 September 2020.

As a one-off exercise all managers and HFRS personnel will be required to certify that all allowances in payment are correct or flag up those that they believe may be incorrect for appropriate corrective action.	March 2020 to December 2020	M	Whilst this activity is still planned it has been delayed owing to the current COVID-19 pandemic, and its impact on resources.
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MANAGEMENT COMMENTARY

20. Many of the actions have been impacted by COVID-19 demands on relevant teams and individuals who are supporting HFRS (or HCC) more widely.
21. Despite this, we have made significant progress in reducing the number of open management actions (including those of high, medium and low priority), from 81 in July 2019 to 22 as at March 2020. A further 11 audit actions have also been closed since the end of March 2020, with some new actions opened following the Academy and Procurement audits. This demonstrates our clear improvement in responding to internal audit management actions.
22. More widely, to support the development of the 2020/21 internal audit plan, the Service coordinated various additional internal discussions, as well as discussion with SIAP, to develop the risk-based focus of this year's internal audit plan. We will continue to do this to support the development of internal audit plans in future years.
23. More specifically, on business continuity, SIAP recently completed an internal audit position statement, which concluded that once fully embedded across HFRS, the business continuity framework will provide a robust control framework and address the risks identified in the previous audit review. Furthermore, following the position statement, a more comprehensive internal audit in this area is planned for Q3 2020/21, which will provide additional assurance in this area.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

24. The Internal Audit Plan is designed to validate the assurance and control framework which exists in the Authority and across the Service. Secure management processes including risk and performance management are important in ensuring that the Authority's plans are achieved.

25. By ensuring the implementation of internal audit recommendations, we assist the Authority in improving its planning and performance management processes, and in complying with its governance arrangements. This in turn, assists the Authority in supporting the following Safety Plan priorities:
- *Public Value* – to ensure our decisions and actions deliver efficient and effective public services against our intended policies and procedures.
 - *Learning and Improving* – In that we use the findings of internal audits to ensure we make improvements to areas of potential weakness in our risk management controls.

COLLABORATION

26. The Southern Internal Audit Partnership provide internal audit on behalf of all partners within Shared Services and many other public service organisations.
27. An MoU is in place, which outlines how HFRS and SIAP will work together effectively.

RESOURCE IMPLICATIONS

28. When agreeing management actions in response to an audit report, the cost of addressing the risk should be considered against the risk materialising. Implementing audit recommendations helps to ensure that the Authority uses its resources efficiently, that key controls are in place and working, and opportunities to achieve value for money are taken.
29. The management of internal audit actions is within current resources.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

30. There are no anticipated positive or negative impacts to the environment or sustainability arising from this report.

LEGAL IMPLICATIONS

31. There are no legal implications arising from this report.

EQUALITY IMPACT ASSESSMENT

32. The contents of this report are considered compatible with the provisions of equality and human rights legislation.

RISK ANALYSIS

33. Failure to implement internal audit recommendations leaves the Authority vulnerable to the consequences of the identified risks and weaknesses in control. Internal management of audit recommendations is an important process within the Authority's risk management arrangements. The updates on progress ensure that Members are fully aware of any problems associated with addressing the issues raised and the priority given to driving down or eliminating specific risks.

CONCLUSION

34. Despite the COVID19 pandemic, progress continues to be made against the Internal Audit Plan 2019/20 and work has been started on the 2020/21 plan. In addition to this, we continue to closely monitor the completion of management actions from previous audits to ensure that despite the current circumstances, we maintain continuity, make progress and deliver our agreed actions.

RECOMMENDATION

35. That the Standards and Governance Committee notes the progress made towards the implementation of the internal audit management actions.

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