

SHROPSHIRE FIRE AND RESCUE AUTHORITY INTERNAL AUDIT ANNUAL REPORT 2016/17

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1. Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2017. It reports on progress against the annual audit plan. It also provides the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes taking into account the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.

Final performance has been good with 100% of the revised plan being delivered.

Twelve audit reports were issued during the year resulting in three good, eight reasonable and one limited assurances being made. A limited assurance opinion was given in respect of the IT follow up audit. The audit followed up recommendations raised previously in the command and control infrastructure audit. The audit raised concerns over certain aspects of the IT control environment and specifically, the documentation of the administration of the command and control system, the back-up system and access to the corporate network is controlled. The review recognises that work is ongoing in a number of areas but at the time of the audit there remains significant control weaknesses which are still being actioned by management. Consideration by your officers, is currently being given to extending the number of days available for IT audit in the 2017/18 plan to allow a full review of the Command and Control system to be undertaken. A total of 74 recommendations have been made in the 12 audit reports issued in the year. No fundamental recommendations have been made during 2016/17.

On the basis of the work undertaken and management responses received; the Authority's governance, risk management and internal control processes are sound and working effectively and the Head of Audit is able to deliver a positive year end opinion on the Authority's internal control environment for 2016/17.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment;

- a) Performance against the Audit Plan for the year ended 31 March 2017.

- b) That the system of governance, risk management and internal control is operating effectively and can be relied upon when considering the Annual Governance Statement for 2016/17.
- c) The Head of Audit's positive year end opinion on the Authority's internal control environment for 2016/17 on the basis of the work undertaken and management responses received.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Authority's financial, governance and risk management systems and procedures and is closely aligned to the Authority's risk register. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of its customers control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the governance, risk management and internal control systems, by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal controls create an environment where poor performance, fraud, irregularity and inefficiency can go undetected leading to financial loss and reputational damage.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 3.3 There are no direct environmental, equalities or climate change consequences of this proposal.
- 3.4 Internal Audit customers are consulted on the service that they receive, feedback from which is included in this report and continues to be positive.

4. Financial Implications

- 4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the Authority.

5. Background

- 5.1 This report is the culmination of the work of the Internal Audit team during 2016/17 and seeks to:

- Provide an opinion on the adequacy of the risk management, control and governance arrangements;
- Inform the annual review of the effectiveness of its system of internal control that informs the Annual Governance Statement by commenting on the nature and extent of significant risks; and
- Inform the review of an effective Internal Audit by providing performance data against the plan.
- Confirm to the Audit and Performance Management Committee that the Audit service has been delivered free from interference throughout the year.

5.2 The requirement for Internal Audit derives from local government legislation, including section 151 of the Local Government Act 1972 which requires the Authority to make arrangements for the proper administration of its financial affairs. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2015, in that “A relevant authority 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”.

5.3 The Public Sector Internal Audit Standards (PSIAS) define the scope of the annual report on internal audit activity. The annual report must incorporate an annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. This annual report provides information to support that assessment and that an effective Internal Audit is established at Shropshire Fire and Rescue Service, in accordance with the requirements of the 2015 Accounts and Audit Regulations. The Internal Audit Service is provided by Shropshire Council. In June 2017, a paper will be presented to Shropshire Council’s Audit Committee which provides assurance on the effectiveness of the Internal Audit service, against the PSIAS. Shropshire Fire and Rescue Service can take assurance from this report.

5.4 Internal Audit operates a strategic risk based plan. The plan is reviewed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk, this results in a comprehensive range of audits undertaken in the year, to support the overall opinion on the control environment. The plan contains a small contingency provision of two days which was used to cover the audit on IT Follow Up work.

Annual Internal Audit Opinion from Internal Audit Work undertaken during 2016/17

5.5 It is the responsibility of Shropshire and Wrekin Fire and Rescue Authority to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under the Public Sector Internal Audit Standards to deliver an annual internal audit opinion and report. The annual internal audit opinion will conclude on the overall adequacy and effectiveness

of the authority's framework of governance, risk management and internal control. This opinion plays a key part in informing the Authority's Annual Governance Statement and enabling the Audit and Performance Management Committee to deliver their annual assurance statement to the Fire and Rescue Authority (FRA).

5.6 The results of individual audits, when combined, form the basis for the overall opinion on the adequacy of the Authority's internal control systems. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that absolute assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls on the basis of the work undertaken. In assessing the level of assurance to be given, I have taken into account:

- The work undertaken on the fundamental financial systems: Whilst revealing a small number of areas of weakness and identifying areas for improvement there are no significant material weaknesses that could result in a material misstatement in the Authority's accounts and reliance can be placed upon them. Plans have been adopted to manage outstanding concerns.
- From other audit work undertaken during the year, there have been no major financial weaknesses or issues identified; the Authority's financial systems, internal control environment and risk management procedures are sound and working effectively.

5.7 These assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

5.8 ***On the basis of the work undertaken and management responses received; the Authority's governance, risk management and internal control processes are sound and working effectively and the Head of Audit is able to deliver a positive year end opinion on the Authority's internal control environment for 2016/17.***

Key Assurances provided during 2016/17

5.9 Audit assurance opinions are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non compliance with some of the controls.

Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key control.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Authority to high risks that should have been managed.

Audit assurance opinions delivered in 2016/17

Audit	Good	Reasonable	Limited	Direction of Travel
Payroll System		✓		No Change
Budget Preparation and Control	✓			No Change
Creditors		✓		No Change ¹
IT Recommendation Follow Up			✓	No Change
Microsoft Sharepoint Migration		✓		New Area
Purchasing Cards		✓		No Change ²
Lease Cars		✓		New Area
Risk Management and Business Continuity	✓			No Change
Corporate Governance	✓			No Change
General Recommendation Follow up		✓		Declined ³
Fire Fighters Pensions Administration		✓		Improved ⁴
Fraud and Corruption – Myview Travel and Subsistence		✓		New Area
Total for year				
➤ numbers	3	8	1	
➤ percentage	25%	67%	8%	

5.10 Three good, eight reasonable and one limited assurances were issued during the financial year. There have been no unsatisfactory assurances issued in the financial year. A summary of these reports is included in **Appendix A**. In each case positive responses have been received by management and will be followed up next year to determine whether satisfactory improvements have been made.

¹ Previous Creditors audit was undertaken in 2013/14.

² Previous Purchasing Card audit was undertaken in 2014/15.

³ The General Recommendation Follow Up audit covers different areas on an annual basis so limited value can be placed on the direction of travel from one year to the next.

⁴ The 2015/16 Firefighters Pensions Administration Audit provided limited assurance.

- 5.11 A limited audit opinion was issued on the IT Follow Up audit, this looked at progress on the implementation of the recommendations in the 2015/16 follow up which was a continuation of the follow up of the recommendations raised in the 2013/14 Command and Control System audit. Positive responses have been received from management in all areas of concern providing assurance that there is ongoing work to address the weaknesses identified.
- 5.12 The Internal Audit team has achieved 100% of the agreed plan being delivered.
- 5.13 Audit recommendations are also an indicator of the effectiveness of the Authority's internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

- 5.14 Recommendations are rated in relation to the audit area rather than the Authority's control environment, for example, a control weakness deemed serious in one area which results in a significant or fundamental recommendation may not affect the Authority's overall control environment. Similarly, a number of significant recommendations in a small number of areas would not result in a limited opinion if the majority of areas examined were sound, consequently, the number of significant recommendations in the table below will not necessarily correlate directly with the number of limited assurance opinions issued in above. Any fundamental recommendations resulting from a control weakness in the Authority's control environment would be reported in detail to the Audit and Performance Management Committee.
- 5.15 A total of 74 recommendations have been made in the 12 audit reports issued in the year; these are broken down by audit area in the table below.

Audit opinion and recommendations made on 2016/17 audits

System	Level of Assurance Given	Number of Recommendations made				Total
		BP	RA	S	F	
Payroll System	Reasonable	0	6	2	0	8
Budget Preparation and Control	Good	0	0	0	0	0
Creditors	Reasonable	1	13	1	0	15
IT Recommendation Follow Up	Limited	0	1	6	0	7
Microsoft Sharepoint Migration	Reasonable	0	2	2	0	4
Purchasing Cards	Reasonable	1	5	2	0	8
Lease Cars	Reasonable	0	7	3	0	10
Risk Management and Business Continuity	Good	0	1	0	0	1
Corporate Governance	Good	1	2	0	0	3
General Recommendation Follow up	Reasonable	0	4	1	0	5
Fire Fighters Pensions Administration	Reasonable	0	2	2	0	4
Fraud and Corruption – Myview Travel and Subsistence	Reasonable	1	6	2	0	9
Totals		4	49	21	0	74
Percentage		5%	66%	29%	0%	100%

- 5.16 It is management's responsibility to ensure that accepted audit recommendations are implemented within an agreed timescale. With the exception of annual audits where recommendations are revisited as a matter of course; remaining recommendations are followed up annually by obtaining an update from management on progress made and performing sample testing.
- 5.17 Three recommendations have been rejected by management during 2016/17.
- One requires attention recommendation in the Payroll audit was rejected in respect of retaining letters sent to individuals in respect of payroll overpayments. Management rejected the recommendation stating that a process was already in place and provided evidence for four out of the five cases queried in the audit. This information had not been provided at the time of the audit and no evidence was available in respect of the final exception.
 - One requires attention recommendation in the Creditors audit was rejected in respect of the timely completion of the creditors month end control account. The audit found no evidence of reconciliation for December 2015 and delays in the reconciliations for January, April and May 2016. Management accepted the position and therefore the risk on the basis that monitoring was in place to ensure task completion

and given the limited resources available to the team to cover staff absence. The Auditor placed a comment on the report that the recommendation was still valid and that if management were accepting the associated risk this should be included on the operational risk register.

- One requires attention recommendation in the Myview Travel and Subsistence audit was rejected in respect of reviewing the policy to bring it into line with HMRC Guidance for lease car drivers submitting claims within one month to ensure that they are reimbursed at the correct rate. Management acknowledged the issue and accepted the risk of the Service policy allowing claims to be submitted within three months. They accepted that there would be minor winners and losers but balanced this against the flexibility for Officers. The Auditor raised a comment on the report to confirm that management could accept the risk. However as HMRC guidance requires that any excess between the advisory rate at the time and the rate paid to the individual be treated as earnings for Class 1 National Insurance, a change of process would be required to ensure payments are treated correctly for taxation purposes.

Audit Performance

- 5.18 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards (PSIAS), and evaluating improvements made over the last twelve months. A public report of effectiveness against the PSIAS is made annually to the Shropshire Council, June Audit Committee. Shropshire Council Audit Service are also externally reviewed every five years for compliance with the PSIAS and passed the review undertaken by CIPFA in November 2016. The effectiveness of Internal Audit is further reviewed through the Finance Audit and Risk Committee's delivery of its responsibilities and direct from customers as they provided responses to surveys sent out after each audit.

Reporting

- 5.19 All Internal Audit work is reviewed by a senior auditor to ensure it complies with Internal Audit's standards and that the recommendations made are supported by the work undertaken before any audit reports are issued. This is seen as a fundamental part of ensuring audit quality and that clients receive reports which are both informative, useful and add value to their work processes and procedures.
- 5.20 All audit assignments are subject to formal feedback to management. Draft reports are issued to the managers responsible for the area under review for agreement to the factual accuracy of findings and recommendations. After agreement, a formal implementation plan containing management's agreed actions and comments is issued to relevant officers. Follow up reviews capture evidence of implementation of recommendations.

Quality Assurance/Customer Feedback Survey

- 5.21 A customer feedback survey form is sent out with the all audits completed. These provide key feedback on the quality of audit service in relation to a number of areas, including:
- Pre auditing arrangements;
 - Post audit briefing;
 - Audit coverage/scope of the audit;
 - Timeliness of production of the report;
 - Accuracy and clarity of report;
 - Practicality of recommendations;
 - Professionalism of approach;
 - Communication skills and
 - Timeliness of report to your business.
- 5.22 The surveys are a key part of ensuring the work meets our client expectations and that the quality of audit work is maintained. The results have been analysed over the last year and the percentage of responses are identified in the table below:

Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2016/17
Pre-audit arrangements	100%
Post-audit briefing	100%
Audit coverage/scope of the audit	100%
Timeliness of production of report	100%
Accuracy and clarity of report	100%
Practicality of recommendations	83%
Professionalism of approach	100%
Communication skills	100%
Timeliness of report to your business	100%
Number of forms returned	6

- 5.23 Overall the results are pleasing, showing services delivered consistently at a high level. There continues to be open communication between officers of the Fire Service and Internal Audit to ensure that both the audit plan and delivery remain up to date and valid to the service. The information from the surveys is used both to improve techniques overall within the team and at annual performance appraisals to identify future development focus relating to individual skills or competences.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

- Proposed 2016/17 Internal Audit Programme - Audit and Performance Management Committee on 10 December 15
- Public Sector Internal Audit Standards
- Accounts and Audit Regulations 2015.

Appendices

Appendix A - Summary of Findings from Fire Authority Audit Reports 2016/17

APPENDIX A

Summary of Findings from Fire Authority Audit Reports 2016/17

- 1 Payroll System** - This area is reviewed on an annual basis. The audit concentrated on key controls in the following areas:
- Previous recommendations have been implemented.
 - There are procedures and policies available to relevant officers which are in compliance with Brigade Orders and National Joint Council guidance.
 - Payments made from timesheets submitted by officers are checked, authorised and are accurately processed.
 - Starters and leavers are actioned accurately and in a timely manner.
 - Permanent and temporary variations to officer's contracts are valid, authorised, and processed accurately.
 - Management Information is produced in an accurate and timely manner and is subject to review.
 - Officers paid on the payroll exist and are employed by the Authority.
 - Workforce requirements and costs are appropriate to the tasks undertaken and policies of the Authority.
 - Payroll payments are independently processed and are reconciled.

There is generally a sound system of control in place but there is evidence of non-compliance with some of the controls. The audit identified two significant recommendations:

- 1) Contract monitoring meetings with the Payroll department should be re-introduced. Discussions should include developments in the payroll processes and compliance with policy and guidance. Meetings with the Payroll Department should be minuted to ensure that there is evidence of the discussions that have taken place. These should be reviewed and circulated to all attendees.
- 2) The introduction of Collaborative Planning should be progressed to ensure that detailed budget monitoring information is readily available to relevant managers in respect of salaries and additional payments made to whole time and retained fire fighters. The monitoring information should include a breakdown on payments by month and a comparison to payments made in the same month the previous year. There should be evidence that the information has been reviewed and that any discrepancies identified are investigated.

The management responses to the audit confirm that both of these issues are being addressed.

One requires attention recommendation audit was rejected by management in respect of retaining letters sent to individuals in respect of payroll overpayments. Management rejected the recommendation stating that system was in place and provided evidence for four out of the five cases queried in the audit. This information had not been provided at the time of the audit and no evidence was available in respect of the final exception.

Assurance Level: Reasonable

2 Budget Preparation and Control - This area is reviewed on an annual basis.

The audit concentrated on key controls in the following areas:

- The recommendation made in the previous audit has been implemented.
- Budgets are set in accordance with pre-determined approved policy objectives.
- The responsibilities of management for the control of budgets is properly defined.
- Revenue items are properly controlled by effective periodic monitoring of financial out-turns against detailed budgets.
- Significant variances are promptly identified, reported and acted upon.
- Virements between budgets are appropriately approved.

No recommendations were raised as a result of the audit.

There is a sound system of control in place which is designed to address relevant risks, with controls being applied consistently.

Assurance Level: Good

3 Creditors - This area is reviewed on a tri-annual basis. The audit concentrated on key controls in the following areas:

- Previous recommendations have been implemented.
- There are appropriate policies and procedures in place for the operation of the creditors system.
- Orders are raised in accordance with Financial Rules.
- Goods received procedures are defined and are operated effectively.
- Prepayment checks ensure that payments are made only to bona fide creditors on properly authorised invoices.
- Payments made are accurate, complete, have not been previously paid and are made at the optimal time.
- The creditor control account is reconciled on a regular basis.
- BACS payments are securely controlled.
- Management information in respect of payments to creditors is timely and adequate.

There is generally a sound system of control in place but there is evidence of non-compliance with some of the controls. The audit identified one significant recommendation to address weaknesses in respect of invoices being authorised by signatories not on the authorised signatory list. Management have confirmed that there has been a full review and a number of new signatories added to cover officers that have been promoted to an authorising position.

One requires attention recommendation was rejected by management in respect of the timely completion of the creditors month end control account. The audit found no evidence of reconciliation for December 2015 and delays in the reconciliations for January, April and May 2016. Management stated that the position was accepted due to monitoring in place and the limited resources available to the team to cover staff absence. The Auditor placed a comment on the report that the recommendation was still valid and that if management were accepting the associated risk this should be included on the operational risk register.

Assurance Level: Reasonable

4 IT Recommendation Follow Up - This area is reviewed on an annual basis. The audit concentrated on following up outstanding recommendations from the 2015/16 audit in respect of key controls in the following areas:

- Administration and management of the Command and Control infrastructure is defined and documented.
- Appropriate measures are taken to ensure that the service can recover in the event that data is lost or corrupted.
- Access to the corporate network is restricted to authorised users.

Whilst there is basically a sound system of control in place, the system contains weaknesses which leave some risks unaddressed and there is evidence of non-compliance with some key controls.

The audit found that seven of the eight recommendations raised in 2015/16 remained outstanding of which six are considered significant. The audit acknowledged that some of the items were long term projects where progress had been made but the recommendation remained valid. The significant recommendations were:

- 1) Work ongoing to review the documentation supporting the SFRSCNC domain should be completed to ensure that all administrative procedures have been appropriately documented including user administration. All documentation should be appropriately version controlled and dates for formal review included. Updated recommendation from 2015-16.
- 2) As recommended in 2013-14, 2014-15 and 2015-16, backups should be verified on a daily basis and where there are failures, these should be followed up as a matter of urgency.
- 3) As recommended in 2013-14, 2014-15 and 2015-16, Brigade Order 16 should be reviewed as soon as possible and updated to reflect the current ICT infrastructure and the future vision for ICT delivery.
- 4) Work ongoing to rationalise generic user accounts on the SFRS domain should be concluded as soon as possible. Where service accounts remain, these should be in a clearly marked group within Active Directory so it is clear what they are for.
- 5) As recommended in 2014-15 and 2015-16, Mobile Device Management software should be installed on all mobile devices and configured in line with security standards and internal policies.
- 6) As recommended in 2013-14, 2014-15 and 2015-16, it is critical that dormant user accounts are identified and disabled if not required. A formal process should be put in place immediately to address this weakness.

Management have accepted all recommendations and have plans in place to address. These items will either be picked up as part of the IT Follow Up audit in 2017/18 or a full IT review.

Assurance Level: Limited

5 Microsoft Sharepoint Migration - This area was reviewed as a one off piece of work based on risk. The audit concentrated on key controls in the following areas:

- Appropriate management structures in place to govern the operation and development of SharePoint within Shropshire Fire and Rescue Service.
- SharePoint sites comply with all external legislation and policies.

- SharePoint implementations are appropriately controlled in line with corporate standards for information security.
- Users have received the required training.
- Files created are accessible to only relevant staff with the correct permission levels; read, edit, full as appropriate.
- There are continuity processes in place to ensure system availability.

There is generally a sound system of control in place but there is evidence of non-compliance with some of the controls. The audit raised two significant recommendations:

- 1) All SFRS servers should be security patched in a timely manner in line with Microsoft guidance.
 - 2) Antivirus software should be installed on all SFRS servers as a matter of urgency.
- Management response to the audit confirms both matters have been addressed.

Assurance Level: Reasonable

6 Purchasing Cards - This area is reviewed on a tri-annual basis. The audit concentrated on key controls in the following areas:

- There are appropriate safeguards in place to limit the Fire Authorities liability in the event of misuse by third parties.
- There are appropriate and adequate procedures in place for the operation of purchasing cards.
- Purchases made with the card are reasonable and have been recorded in accordance with procedures.
- Expenditure is correctly recorded in the accounting system.
- Personal data is held in a secure manner in line with legislation.

There is generally a sound system of control in place but there is evidence of non-compliance with some of the controls. The audit raised two significant recommendations:

- 1) Increases to credit limits should only be actioned on completion and authorisation of a Request for Temporary Increase to Procurement Card Limit form.
- 2) All requests for a temporary increase to credit limits should be authorised by a Line Manager.

Management response to the audit confirms immediate action taken to remind officers.

Assurance Level: Reasonable

7 Lease Cars - This area was reviewed as part of a rolling programme of review within the Technical Services function of the Fire Authority based on risk. The audit concentrated on key controls in the following areas:

- There are appropriate policies and procedures in place governing the use of lease cars by the Fire Authority.
- There are appropriate controls in place for monitoring the forces requirements in terms of the number of lease cars required.

- There are appropriate purchasing arrangements in place in respect of lease cars.
- There are appropriate controls in place to monitor the lease cars that the Fire Authority has in place.
- There are appropriate contracts in place with the registered users to protect both the Fire Authority and the registered user.
- There are appropriate controls in place for the maintenance, insurance and taxation of the vehicles.
- There are appropriate controls in place to calculate business and private use of vehicles.
- There are appropriate controls in place to ensure that user's details are passed to payroll for the calculation of any salary deductions and taxation.

There is generally a sound system of control in place but there is evidence of noncompliance with some of the controls. The audit raised three significant recommendations:

- 1) Signed user agreements should be completed for all officers that have been allocated a lease car. These should be authorised by the Chief Fire Officer and stored securely.
- 2) In accordance with the user agreement, action should be taken to recover the cost of additional payments from an officer when their employment ends prior to the end of the lease. Where it is decided that this will not be enforced, the reason for this should be clearly documented and appropriately authorised.
- 3) The registration number for vehicle DN15 MZY should be corrected on the insurance policy. A review of all other vehicles on the policy should be performed, to ensure that all details are correctly recorded.

Management response to the audit confirms that all these areas will be reviewed and corrected as appropriate.

Assurance Level: Reasonable

8 **Risk Management and Business Continuity** - This area is reviewed on an annual basis. The audit concentrated on key controls in the following areas:

- The recommendations made in the previous Risk Management audit have been implemented.
- Statements of Assurance are prepared and signed on an annual basis.
- Corporate risks are recorded in a suitable format in the Risk Register.
- Departmental Risks are recorded in a suitable format in the Risk Register.
- Risks are regularly reviewed and the Risk Register is updated as appropriate.
- Management and Members are kept informed of the processes in place for the management of risk.
- There is a process to identify the critical service areas which if not delivered would cause disruption to operations.

No significant recommendations were raised as a result of the audit.

There is a sound system of control in place which is designed to address relevant risks, with controls being applied consistently.

Assurance Level: Good

9 **Corporate Governance** - This area is reviewed on an annual basis. The audit concentrated on key controls in the following areas:

- To ensure that the Code of Corporate Governance has been updated to reflect the revised CIPFA Guidance from April 2016.
- To review the evidence of compliance against the seven principles set out in the code.

No significant recommendations were raised as a result of the audit.

There is a sound system of control in place which is designed to address relevant risks, with controls being applied consistently.

Assurance Level: Good

10 General Recommendation Follow Up - This area is reviewed on an annual basis and picks up outstanding recommendations not covered in the current years plan. The audit concentrated on key controls in the following areas:

- The recommendation made in the 2015/16 Recommendation Follow Up audit in relation to Insurance has been implemented.
- The recommendations made in the 2015/16 Income Collection and Sundry Debtors audit have been implemented.
- The recommendation made in the 2015/16 Purchasing and Procurement audit has been implemented.
- The recommendations made in the 2015/16 Technical Services audit have been implemented.

There is generally a sound system of control in place but there is evidence of non-compliance with some of the controls. The audit identified one significant recommendation to address a weakness outstanding from the 2015/16 Technical Services audit on fire hydrants:

It should be investigated if it is possible to solve the problem with the fire hydrant icons which are displayed on the database but which are not available to view on the Mobile Data Terminals viewed by the Fire Crews when attending an incident. Should it not be possible to solve the problem it should be ensured that the implications and risks are fully considered and recorded on the relevant Departmental Risk Register.

The management response confirmed that it has not been possible to resolve this issue and it has been added to the operational risk register for ongoing monitoring.

Assurance Level: Reasonable

11 Fire Fighters Pensions Administration - This area is reviewed on an adhoc basis based on risk and was added to the 2016/17 plan following a limited assurance in 2015/16. The audit concentrated on key controls in the following areas:

- The recommendations made in the previous Firefighters Pensions Administration audit have been implemented.

There is generally a sound system of control in place but there is evidence of non-compliance with some of the controls. The audit identified two significant recommendations which have been updated from the recommendations made in 2015/16.

- 1) The ill health contribution calculation should be corrected and the correction should be notified to the Department for Communities and Local Government and an appropriate adjustment made in next year's return.
- 2) The work to obtain the detailed schedule of contributions made to the pension scheme and payments to retired members from Payroll Services and ensure that the schedules agree to the postings to the pension fund account in SAMIS

should be progressed until there are no longer any differences. A periodic reconciliation should then be carried out to ensure that all starters and leavers have been processed as expected and are being posted to the correct pension account in SAMIS in respect of the four pension schemes.

The management responses to the audit confirm that both of these issues are being addressed.

Assurance Level: Reasonable

12 Fraud & Corruption – MyView Travel Claims – Fraud and Corruption is included in all audit plans and topics are selected based on risk. The 2016/17 audit was undertaken to establish the extent of compliance with current policies on the claiming and authorisation of travel costs and personal expenses. The audit concentrated on key controls in the following areas:

- Travel and Subsistence payments are appropriately controlled and actioned in an accurate and timely manner.
- Members are paid the correct amounts which are commensurate to their duties.

There is generally a sound system of control in place but there is evidence of noncompliance with some of the controls. The audit raised two significant recommendations:

- 1) All staff and authorising officers should be reminded that private miles should be deducted in accordance with the Travel and Subsistence policy. In cases where travel is from/to a location other than a designated work base, the normal daily commute mileage should be deducted unless an appropriately approved local agreement is in place.
- 2) All claimants should be reminded of the need to obtain VAT receipts to accompany all claims and to retain them in line with the guidance in the event of an HMRC inspection.

The management responses to the audit confirm that both of these issues are being addressed.

One requires attention recommendation was rejected by management in respect of reviewing the policy, to bring it into line with HMRC Guidance for lease car drivers submitting claims within one month to ensure that they are reimbursed at the correct rate. Management acknowledged the issue and accepted the risk of the Service policy allowing claims to be submitted within three months. They accepted that there would be minor winners and losers but balanced this against the flexibility for Officers. The Auditor raised a comment on the report to confirm that management could accept the risk. However as HMRC guidance requires that any excess between the advisory rate at the time and the rate paid to the individual be treated as earnings for Class 1 National Insurance, a change of process would be required to ensure payments are treated correctly for taxation purposes.

Assurance Level: Reasonable