



# Internal Audit Annual Report & Head of Internal Audit Opinion 2021/22

Cheshire Fire Authority/ Fire and Rescue Service

# Contents

- 1 Introduction
- 2 2021/22 Internal Audit Service Delivery
- 3 Executive Summary
- 4 Head of Internal Audit Opinion
- 5 Internal Audit Coverage and Outputs
- 6 Areas for consideration - your Annual Governance Statement
- 7 MIAA Quality of Service Indicators

## 1 Introduction

The purpose of this Head of Internal Audit Opinion is to contribute to the assurances available to the Accountable Officer and the Fire Authority which underpin their assessment of the effectiveness of the organisation’s system of internal control. This Opinion will assist the Accountable Officer and the Fire Authority in the completion of its Annual Governance Statement (AGS), along with considerations of organisational performance, regulatory compliance, partnership working and wider transformation.

This opinion is provided in the context that the organisation like many in the public sector has continued to faced unprecedented challenges due to COVID-19.

## 2 2021/22 Internal Audit Service Delivery

COVID-19 has continued to impact all public services, however, our response during 2020/21 and the need to work differently has provided a strong basis for the delivery of planned work in 2021/22. We have continued to act as a critical friend throughout the pandemic providing key assurances across a range of areas.

**We would like to take this opportunity to thank the Fire Authority and Cheshire Fire and Rescue Service for their ongoing support during the year.**

## 3 Executive Summary

This annual report provides the 2021/22 Head of Internal Audit Opinion for Cheshire Fire Authority and Cheshire Fire and Rescue Service, together with details of the planned internal audit coverage and outputs during 2021/22 and MIAA Quality of Service Indicators.

Key Area	Summary
Head of Internal Audit Opinion	The overall opinion for the period 1 <sup>st</sup> April 2021 to 31 <sup>st</sup> March 2022 provides <b>Substantial Assurance</b> , that that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.
Planned Audit Coverage and Outputs	<p>The 2021/22 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. Progress has been reported during the financial year. Coverage has been focused on:</p> <ul style="list-style-type: none"><li>• The organisation’s Risk Management Framework through attendance at Risk Management Board.</li><li>• Core and mandated reviews, including follow up; and</li><li>• A range of individual risk based assurance reviews.</li></ul> <p><i>Please include the summary text in the table above when referring to the Head of Internal Audit Opinion in your Annual Governance Statement.</i></p>

<b>MIAA Quality of Service Indicators</b>	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA (2020), provides assurance of MIAA’s full compliance with the Public Sector Internal Audit Standards.
---	---

## 4 Head of Internal Audit Opinion

### 4.1 Roles and responsibilities

The Fire Authority is accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Accountable Officer, on behalf of the Fire Authority, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievements of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation’s Statement of Assurance should bring together all of the evidence required to support the AGS requirements.

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes (i.e. the organisation’s system of internal control). This is achieved through a risk-based plan of work, agreed with management approved by the Authority and monitored by the Performance and Overview Committee which can provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 4.

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Strategic Risk Register and Risk Management Framework. As such, it is one component that the Fire Authority takes into account in making its AGS.

### 4.2 Opinion

Our opinion is set out as follows:



### 4.2.1 Basis

The basis for forming our opinion is as follows:

- 1 An assessment of the design and operation of the underpinning Risk Management Framework achieved through attendance at the Risk Management Board.
- 2 An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account the relative materiality of systems reviewed and management’s progress in respect of addressing control weaknesses identified.
- 3 An assessment of the organisation’s response to Internal Audit recommendations, and the extent to which they have been implemented.

### 4.2.2 Overall Opinion

Our overall opinion for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 is:

High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation’s objectives, and that controls are consistently applied in all areas reviewed.	
<b>Substantial Assurance</b> , can be given that that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.	✓
<b>Moderate Assurance</b> , can be given that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation’s objectives at risk.	
Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation’s objectives at risk.	

<p>No Assurance, can be given that there is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the organisation’s objectives.</p>	
---	--

**4.3. Commentary**

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Our opinion covers the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 inclusive, and is underpinned by the work conducted through the risk based internal audit plan.

**4.3.1 Core & Risk Based Reviews Issued**

We issued:

Zero high assurance opinions:	
Two substantial assurance opinions:	Financial Systems Health and Wellbeing
Two moderate assurance opinions:	Working Time Monitoring Arrangements Operational Debrief and Learning
Two limited assurance opinions:	Blue Light Collaboration (Carry Forward 20/21) Cyber – Organisational Controls
Zero no assurance opinions:	
One review without an assurance rating	National Fraud Initiative Briefing

**4.3.2 Follow Up**

<p>During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made <b>good progress</b> with regards to the implementation of recommendations. We will continue to track and follow up outstanding actions.</p>
<p>We have raised 19 recommendations as part of the reviews undertaken during 2021/22. All recommendations raised by MIAA have been accepted by management.</p> <p>Of these recommendations: none were <b>critical</b> and <b>eight</b> were <b>high risk recommendations</b> in relation to the reviews of Working Time Monitoring, Cyber Organisational Controls, Operational Debrief and Blue Light Collaboration.</p>

#### 4.3.3.4 Wider organisation context

This opinion is provided in the context that the Fire Authority/ Fire and Rescue Service like other organisations across the Public Sector is facing a number of challenging issues and wider organisational factors particularly with regards to the ongoing pandemic response and wider transformation. The challenges have included continuing to ensure an effective pandemic response, delivering business as usual requirements, meeting the challenges and needs of modern societies, embracing new technology and recognising the changing risk landscape within communities.

In providing this opinion we can confirm continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. We also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.

*Steve Connor*

Managing Director, MIAA

May 2022

*Louise Cobain*

Assurance Director, MIAA

May 2022

## 5 Internal Audit Coverage and Outputs

The 2021/22 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year.

Of the reviews completed in the year, assurance ratings were given in six cases. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews. Detailed information on the limitations (including scope and coverage) to the reviews has been provided within the individual audit reports and through the Audit Committee Progress Reports throughout the year.

A summary of the reviews performed in the year is provided below:

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
1	Financial Systems	Substantial	0	0	1	0	1
2	Health and Wellbeing	Substantial	0	0	0	1	1
3	Working Time Monitoring Arrangements	Moderate	0	2	2	1	5
4	Operational Debrief and Learning	Moderate	0	1	3	0	4
5	Cyber – Organisational Controls	Limited	0	2	3	0	5
6	Blue Light Collaboration (Carry Forward)	Limited	0	3	0	0	3
7	National Fraud Initiative Briefing	N/A	N/A	N/A	N/A	N/A	N/A
		<b>TOTAL</b>	<b>0</b>	<b>8</b>	<b>9</b>	<b>2</b>	<b>19</b>

We will continue to follow up progress against all recommendations as part of the 2022/23 Internal Audit Plan.

### CONTRIBUTION TO GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENHANCEMENTS: *Additional areas where MIAA have provided added value contributions.*

Detailed insight into the overall Governance and Risk Management processes gained from liaison throughout the year with the Director of Governance and Commissioning / Senior Management Team,

Involvement with the organisation in respect of advice and guidance relating to the development of an Audit Committee.

Attendance at Risk Management Board in year.

Regular liaison and updates with the Joint Corporate Team in relation to recommendation tracking.

Member training in relation to Internal Audit and risk.

Opportunities/ Involvement through MIAA events. Including the NW Collaborative Events

## 6 Areas for consideration – your Annual Governance Statement

The Head of Internal Audit Opinion is one source of assurance that the organisation has in providing its AGS; but other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant.

We have identified a number of other strategic challenges that should be considered by the Fire Authority/ Accountable Officer when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the Accountable Officer reflects more widely on how these should be factored into the AGS. Areas for consideration include:

- Compliance with all relevant laws, standards and regulations.
- HMICFRS inspection and feedback during 2021/22 including any actions taken to address any areas of development.
- Response to Covid19 and the considerable support provided by the service to partner organisations.
- Organisational performance and service pressures managed in year.
- Any risks associated with achieving the Financial Plan.
- Wider partnership working risks and challenges.
- Relationship and management of 3rd party providers upon which the Cheshire Fire and Rescue Service places reliance, and the provision of assurances from these.
- Workforce capacity, engagement and the strengthening of health and wellbeing support.
- Cyber security, information governance risks and any associated reportable incidents to the Information Commissioner.
- The changes to the Senior Leadership Team in year.

## 7 Ensuring Quality

MIAA’s strategy has quality at the heart of everything we do and our overall approach to quality assurance includes ISO9001:2015 accreditation, compliance with Public Sector Internal Audit Standards, the quality of our people and outcome measures.

### 7.1 Professional Standards and Accreditations

MIAA comply fully with professional best practice, internal audit standards and legal requirements. We assess our compliance with the Public Sector Internal Audit Standards (PSIAS) each year.

**1000 - Purpose, Authority & Responsibility** → MIAA undertakes audit work to evaluate and improve the effectiveness of risk management, control and governance processes. An annual Director of Audit Opinion is provided to support the Annual Governance Statement.

MIAA is managed independently from, and with no executive responsibilities for, the audited body. MIAA have direct access to the Performance and Overview Committee Chair and are represented at meetings. All MIAA staff complete an annual declaration of interest, including actions taken to mitigate these, this included staff redeployment due to the pandemic where appropriate. There have been no impediments to MIAA’s independence and objectivity during the timeframe covered by this annual report.

← **1100 – Independence & Objectivity**

**1200 – Proficiency & Due Professional Care** → Professional care is monitored and achieved through compliance with MIAA’s quality and review systems. The Director of Audit is a CCAB Qualified accountant and MIAA’s staff are either fully or part qualified (including CCAB, IIA, CISA, CISP and LCFS).

MIAA have accreditations for systems, processes and training. We are ISO9001:2015 quality assessed, Investors in People, Finance Skills Development (Level 3) and training accreditations with CCABs. All reports follow a strict quality assessment process.

← **1300 - Quality Assurance & Improvement**

**2000 - Managing the Internal Audit Activity** → MIAA have a defined approach for risk assessment, planning, performance and reporting. Annual risk based audit plans are developed for our client organisations, with regular progress reported to the Performance and Overview Committee.

MIAA’s internal audit activity evaluates and contributes to the improvement of governance, risk management and internal control.

← **2100 - Nature of Work**

**2200 – Engagement Planning** → MIAA’s work is structured to comply with Public Sector Internal Audit Standards. We establish risk based audit plans in conjunction with the organisation and with the approval of the Performance and Overview Committee.

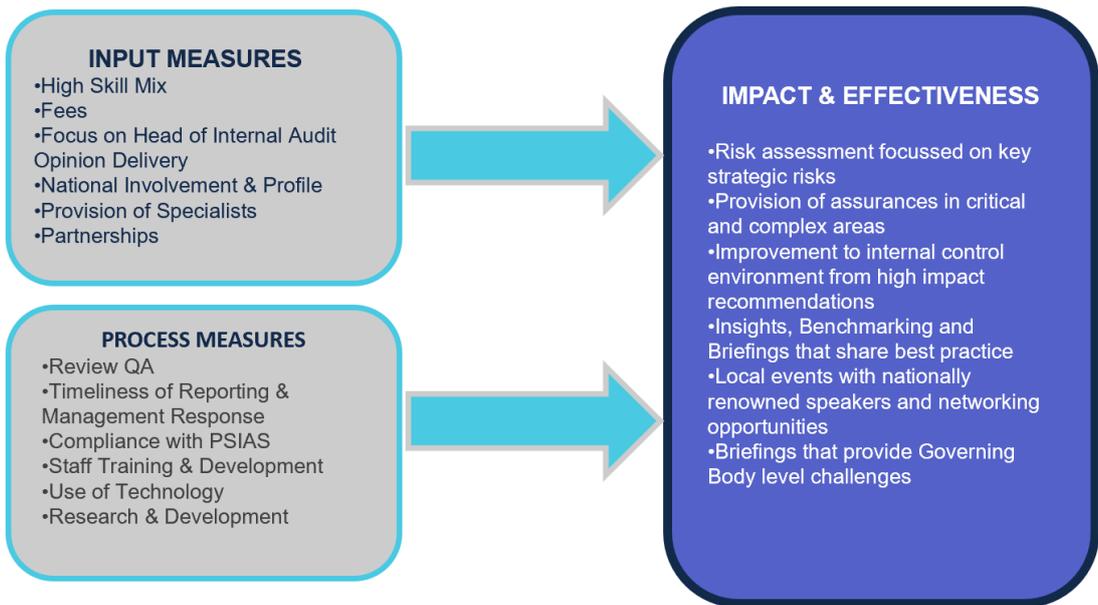
Terms of Reference are established and agreed for each review, including objectives, scope, timing and resource allocations. MIAA staff identify, analyse, evaluate and document sufficient information to achieve the assignment objectives. All assignments are properly supervised.

← **2300 - Performing the Engagement**



7.2 Service delivery and outcome measures

It is important that client organisations ensure an effective Internal Audit Service, and whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. The figure below confirms the measures that we believe demonstrate an effective service to you.



**Steve Connor**

Managing Director

Tel: 07768 131 785

Email: [steve.connor@miaa.nhs.uk](mailto:steve.connor@miaa.nhs.uk)

**Louise Cobain**

Assurance Director

Tel: 07795 564 916

Email: [louise.cobain@miaa.nhs.uk](mailto:louise.cobain@miaa.nhs.uk)