

Mersey Internal Audit Agency

**Internal Audit Progress Report
Performance and Overview Committee
(22nd November 2017)**

Cheshire Fire Authority / Fire & Rescue Service



Contents

1. Introduction
2. Key Messages for Committee Attention
3. Work in progress

Appendix A: Risk Classification and Assurance Levels

Appendix B: Contract Performance

Appendix C: Critical / High Level Risk Recommendations

1. Introduction

This progress report provides an update to the Performance and Overview Committee in respect of the assurances, key issues and progress made in respect of the 2017/18 Audit Plan. Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition, a consolidated follow up position is reported on a periodic basis to the Performance and Overview Committee.

2. Key Messages for Committee Attention

Since the previous meeting of the Performance and Overview Committee we have completed the following reviews: -

- National Fraud Initiative

The table below identifies the key areas from that work and section 3 of the report provides details of the work in progress. Appendix A provides the categorisation of assurance levels and risk ratings and Appendix B confirms performance against plan for 2017/18.

Title	Assurance Level	Recommendations
National Fraud Initiative	N/A	N/A

Background: The NFI is a sophisticated data matching exercise organised by the Cabinet Office which matches electronic data within organisations such as local government, central government, various public sector bodies and a number of private sector pension bodies to prevent and detect fraud. The NFI continues to play an important role in protecting the public purse against fraud.

Organisations participating in the NFI are required to provide certain mandatory datasets; for the Fire Authority, the mandatory datasets comprise of creditors, payroll and pensions payroll. Payroll and pensions payroll data is subject to a series of data matches against data provided by other public bodies including payroll, pensions, housing benefit, Home Office (removed and failed asylum seekers), UK visas and Department for Work and Pensions and deceased persons. Creditor payments are matched only within Authorities.

From the data received a matching exercise was undertaken with the aim of

identifying the possibility of fraud and/or error. This was done by reviewing the data reports provided by the Cabinet Office and investigating identified discrepancies, by establishing a reason for the match and, where required, making the appropriate changes.

Objective: To review the data reports provided by the Cabinet Office and to investigate any identified discrepancies by providing a reason for the match and, where required, make the appropriate changes.

The areas reviewed were as follows: -

- Pensions/Pension Gratuity to DWP Deceased;
- Payroll to payroll within CFRS and with other bodies;
- Pensions to payroll within CFRS and with other bodies;
- Pensions to injury benefits;
- Payroll to bank accounts/addresses;
- Creditor payments;
- Creditor matches by name and postcode;
- Creditors duplicate payments / bank accounts;
- Creditors duplicate invoice reference, amount and reference;
- VAT overpaid;
- Procurement - Payroll to Companies House (Director)
- There were no matches identified in relation to UK Visa matches;

MIAA liaised with Payroll/HR Department to confirm the information highlighted within the payroll matches; including verifying the employment status of an individual's secondary employment and/or sickness records. MIAA also liaised with the Finance Department in order to obtain access to Finance systems in order to review Creditor payments.

Summary: From the work completed to date the NFI review has not identified any apparent fraud. There was 1 pension match which is being progressed with CFRS's Pension Provider where an overpayment of £547.62 has been identified and recovery is being pursued.

There remains 10 payroll matches to complete where MIAA is awaiting employment

information from third party matching authorities. MIAA will continue to monitor responses from third party authorities in respect of the remaining payroll matches and will advise CFRS accordingly of their outcome.

Executive/ Management Sponsor: Head of Finance

3. Work in Progress

The following pieces of work are in progress and will be reported to the Committee following completion:

Work In progress

- **Fire Safety Audits** - To provide assurance that CFRS has a robust fire safety audit process, which supports the Service's vision, and businesses receive consistent and common advice, information and enforcement practices. **Fieldwork Complete, Draft Report Issued**
 - **Business Continuity** – To undertake a baseline assessment of current arrangements against best practice and to assess the robustness of the business continuity arrangements in place. **Fieldwork Complete, Draft Report Issued**
 - **Equality and Diversity Recruitment** – To review the Authority's strategy and processes to demonstrate compliance with the Equality Act and the steps taken to deliver on these key objectives. **Fieldwork Complete, Draft Report Issued**
 - **Station Management Framework** – To provide assurance on the effectiveness of the controls and processes in place at a local level for compliance with the Station Management Framework. **Planning Meeting Arranged**
 - **Combined Financial Systems** – To review key controls within financial systems which will also include procurement / tendering. **Planning Meeting Arranged**
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Request for Audit Plan Changes

Policy Approval Group approval will be requested for any amendments to the original plan and this will be reported to the Performance and Overview Committee to facilitate the monitoring process. There are no proposed amendments to the audit plan.

Appendix A: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
Significant	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be minimal or they would be unlikely to occur.
Limited	There are weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of the key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisational objectives.
Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none">• the efficient and effective use of resources• the safeguarding of assets• the preparation of reliable financial and operational information• compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none">• has a low impact on the achievement of the key system, function or process objectives;• has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Appendix B: Contract Performance

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The plan has also been discussed with lead officers to determine the appropriate timing of individual work-streams to accommodate organisational priorities, availability, mandatory requirements and external audit views.

General Performance Indicators

The following provides some general performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Status	Summary
Progress against plan	Green	Audit reviews are on track in terms of planned completion.
Timeliness	Green	Generally, reviews are progressing in line with planned delivery.
Qualified Staff	Green	MIAA Audit Staff consist of: <ul style="list-style-type: none">• 65% Qualified (CCAB, IIA etc.)• 35% Part Qualified
Quality	Green	MIAA operate systems to ISO Quality Standards. Triennial review by External Audit was positive.

Overview of Output Delivery

REVIEW TITLE	PLANNED COMPLETION				ASSURANCE LEVEL	Commentary
	Sep	Nov	Feb	May		
FINANCE & RESOURCES						
National Fraud Initiative		●			N/A	Final Report Issued
Financial Systems			O			Planning Meeting Arranged
PERFORMANCE						
Partnership Arrangements	●				Significant	2016/17 Final Report

REVIEW TITLE	PLANNED COMPLETION				ASSURANCE LEVEL High / Significant / Limited / No	Commentary
	Sep	Nov	Feb	May		
Station Management Framework			O			Planning Meeting Arranged
OPERATIONAL COMPLIANCE						
Fire Safety Audits			●			Draft Report
Business Continuity			●			Fieldwork Complete, Draft Report
IT Critical Applications				O		
HMICFRS Inspection				O		Initial Scoping Meeting Held
Site Specific Risk Information	●				Significant	Final Report
GOVERNANCE, RISK AND LEGALITY						
Bluelight Collaboration				O		
Equality and Diversity Recruitment			●			Fieldwork Complete, Draft Report
Local Code of Corporate Governance				O		Advisory Support
FOLLOW-UP AND CONTINGENCY						
Follow-up	●					See Follow Up Report
Contingency						

Key O = Planned ● = In Progress / Complete

Appendix C: Critical/ High Risk Recommendations

There were no high or critical risk recommendations included within the reports.

