

# Internal Audit Progress Report Performance and Overview Committee (Sept 2020)

Cheshire Fire Authority / Fire & Rescue Service

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## 1. Introduction

This progress report provides an update to the Performance and Overview Committee in respect of the assurances, key issues and progress against the Internal Audit Plan for 2020/21. Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation and Committee Members. In addition a consolidated follow up position is reported on a periodic basis to the Committee.

## 2. Key Messages for Committee Attention

Since the previous meeting of the Committee the following work is underway/ in planning:

- Pensions Review – Field work in progress
- Payroll Audit – Draft Terms of Reference issued. Fieldwork due to commence Sept 20.
- Follow Up – In progress
- National Fraud Initiative – Agreed approach with Head of Finance and notices to staff prepared.

### Conformance with the Public Sector Internal Audit Standards during the pandemic

The Internal Audit Standards Advisory Board have issued guidance regarding conformance with the Public Sector Internal Audit Standards (PSIAS) during the coronavirus pandemic (May 2020).

The Mission of Internal Audit is '*To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*' In the current circumstances, we will be fulfilling this mission in a range of different ways that will enable us to provide sufficient assurance to support audit opinions, the Head of Internal Audit Opinion and the Annual Governance Statement.

**If, however, due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.**

All organisations have been affected in some way by the pandemic. Internal Audit can help by:

- Helping protect your operations by helping management to find new ways of working
- Providing real-time advice and insight in the development of new systems and controls. For example where you have had to implement new and urgent guidance.

- Ensuring that internal audit's work remains risk-based, but continuously reassessed to reflect the significant changes and escalation of risk levels being experienced.
- Providing real-time assurance to the organisation and audit advisory committee on the actions and decisions being made.
- Helping you to understand and plan for longer-term risks resulting from the current crisis to protect the organisation and its services going forward.

All our work will continue to be delivered in full compliance with the Public Sector Internal Audit Standards (PSIAS). Given the ongoing situation, it is likely a number of assignments may need to be delivered remotely and we will continue to liaise with you regarding this.

It was critical during the first quarter of 2020/21, that we adopted a pragmatic approach to the delivery of your Internal Audit Service. In that respect we agreed to pause all internal audit work, whilst 50% of our staff supported the wider NHS systems across MIAA's client base / geographies through redeployment. We are now back to business and new ways of working as we adapt to the impact of Covid19.

Appendix A provides the categorisation of assurance levels and risk ratings and Appendix B confirms performance against plan.

### 3. Work in Progress and Planned

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

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#### Work in Progress

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- Pensions Review – In progress
  - Payroll Audit – TOR issued for agreement / comments
  - Follow Up – In progress
  - National Fraud Initiative – Preparations underway and discussions held with Head of Finance
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### 4. Request for Audit Plan Changes

It is recognised that we may need to update the audit plan during the year as different risks emerge. Any proposed changes to the plan are discussed with the Service Management Team and will be reported to the Committee.

## Appendix A: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	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 aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	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 system 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"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul>
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"> <li>has a low impact on the achievement of the key system, function or process objectives;</li> <li>has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
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 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	Progress is on track
Timeliness	Green	No issues at present – Watching brief due to Covid19 impacts on ways of working and organisational response.
Qualified Staff	Green	MIAA Audit Staff consist of: <ul style="list-style-type: none"> <li>• 65% Qualified (CCAB, IIA etc.)</li> <li>• 35% Part Qualified</li> </ul>
Quality	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. Our five year re assessment is due in September 2020.

## Overview of Output Delivery

REVIEW TITLE	PLANNED REPORTING TO P & O				ASSURANCE LEVEL	Commentary
	Sep	Nov	Feb	June		
<b>CORPORATE SERVICES</b>						
Financial Systems			o			
National Fraud Initiative (Carry forward)	•					Preparations agreed
<b>PROTECTION &amp; ORGANISATIONAL PERFORMANCE</b>						
Risk Management			o			
Risk Management Board		o	o	o		
<b>SERVICE DELIVERY / OPERATIONAL POLICY &amp; ASSURANCE</b>						
Collaboration/ Partnerships			o			
Estates Management		o				
<b>PEOPLE</b>						
Payroll		•				TOR issued
Pensions ( Carry forward 2019/20)		•				In Progress
<b>FOLLOW-UP AND CONTINGENCY</b>						
Follow-up		•				In progress
Contingency						

### Key

o = Planned , • = In Progress , ✓ = Complete