Internal Audit Progress Report Performance and Overview Committee (Nov 2020)

Cheshire Fire Authority / Fire & Rescue Service

MIAA
ASSURANCE

Contents

1. Introduction

This progress report provides an update to the Committee in respect of the assurances, key issues and progress against the Internal Audit Plan for 20/21 and to support the Head of Internal Audit Opinion.

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. 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), which was summarised in our previous progress reports. All our work continues to be delivered in full compliance with the PSIAS.

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.

We are continuing to engage with clients on a regular basis on the risks and issues they are facing and the assurances needed for year-end commitments. We continue to provide communications and updates from MIAA's Executive Directors, the Audit Chairs webinars are scheduled for the remainder of 20/21 and there are ongoing discussions at a client level with key MIAA leads, including the Engagement Leads and Engagement Managers.

3. Key Messages for Performance and Overview Committee Attention

Since the last meeting of the Committee, there has been the focus on the following areas:

Revised Risk Assessment	The impact on the organisation of COVID-19 has required us to review your internal audit risk assessment and plan for 2020/21. We will continue to communicate with you on a regular basis to ensure the focus remains on the delivery of your Head of Internal Audit Opinion.
20/21 Plan Reviews	Since the previous meeting the following reviews have been finalised: • Payroll

	The reviews below are currently in progress: • Pensions (Draft Report) • Financial Systems (TOR issued) • Risk Management (TOR issued) • Collaboration / Partnerships (Planning) • Estates Management (Planning)
Follow Up Position	We have continued to work alongside the organisation to ensure that prior year audit recommendations are taken forward.
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.
Audit Chairs Webinar	We are continuing to hold webinars with client Audit Committee Chairs focusing upon governance challenges and other key issues.
Events: *Events in 2020 are being held as webinars* *Please speak to your Engagement Manager for further details.*	**Collaborative Masterclass Event Programme** • Beyond Threat: Uncovering hidden drivers that determine our motivation & build resilience (6th November) • Inspiring Behavioural Change (27th November) Events are free for MIAA clients www.miaa.nhs.uk to book.

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4. Key areas from our work and actions to be delivered

The table below identifies the key areas from our work and the actions to be delivered by management. Appendix A provides the categorisation of assurance levels

Title	Assurance Level	Recommendations	
Payroll	Substantial	0 x Critical	2 x Medium
		0 x High	0 x Low

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Title	Assurance Level	Recommendations

Objective: The overall objective of the audit was to review the Payroll controls in place.

Summary:

Policies & Procedures

A set of procedures is in place in relation to payroll routines. These are in the form of checklists. These ensure that all aspects of the process is completed and this is signed off by the Line Manager or Supervisor evidencing segregation of duties.

Our review highlighted that the checklists did not state when these were approved, who they were approved by, or when a review date is set. We recommend that all checklists are reviewed appropriately on a consistent basis to ensure reflect current practice and procedures **(Medium Risk Recommendation).**

Roles and Responsibilities

Discussions with management confirmed that although checklists are in place to ensure procedures are consistent, a formal policy is not in place to support payroll procedures and outline key roles and responsibilities.

We recommend that a formal policy is implemented to oversee payroll practices. This should outline all the procedures within CFRS payroll and promote maintaining good practice. Roles and responsibilities should be detailed including responsibilities of the payroll team, Managers, and the payroll provider. Checklists for procedures should form part of the policy as appendicles and detail regarding how these should be used and approved appropriately should be included. This policy should then be reviewed on annual basis and have a Senior Management Team approval **(Medium Risk Recommendation)**.

The Service Level Agreement (SLA) between CFRS and The Access Group was also evidenced.

New Starters

Audit testing on a sample of 10 new starters between the periods August 2019 – August 2020 identified that all new starters had been authorised by an appropriate individual. There are appropriate segregation of duties in place to ensure new starters added to HRPRO are independently checked.

In addition, all new starters had a corresponding new starter form that accurately reflected the employee's start date and these all correctly matched to the details within HRPRO. All forms were processed before the payroll cut-off date. These were all processed and approved appropriately.

Contractual Changes

Audit testing was undertaken on the key controls regarding contract changes. Our testing confirmed that on all instances, a payroll change form had been completed and authorised

Title	Assurance Level	Recommendations

appropriately. All details had been inputted into HRPRO and had been reflected on the employee's payslip in a timely manner.

Bank Changes

Discussions with key staff identified that changes to employee bank details are processed by the individual themselves who complete the 'Bank Account Details Form' which is signed by the employee and sent to the payroll team via e-mail. MIAA are therefore unable to provide an opinion on the accuracy and authorisation of controls.

Terminations

Audit testing was undertaken on a sample of 10 leavers between the periods August 2019 – August 2020. In all instances within the sample, the termination forms demonstrated appropriate authorisation by the line manager and there was adequate segregation of duties between the authorisers. In all instances, the payroll team had processed the terminations in a timely manner.

Payroll Access and Reconciliations

Monthly reporting processes are in place within the payroll and pensions team to ensure payroll entries are subject to review. Reports regarding Payroll are sent to the payroll and pensions team from the payroll provider which provides CFRS with summaries of payments and deductions in payroll. These are held within the Human Resources Drive on the CFRS network and access is only approved by the payroll and pensions team. In addition a monthly payroll reconciliations is completed by the Access Group and provides assurance to CFRS that all payments and deductions have been reconciled appropriately.

Access to HRPRO and the Human Resources Drive is controlled by the payroll and pensions team. Regular review is undertaken to ensure appropriate access. Our review of access confirmed that all staff who have access to HRPRO are appropriate and removal from the system forms part of the termination process.

Key areas agreed for action (due to be complete by May 2021):

- A policy should be developed to oversee payroll practices. This should outline all the procedures within CFRS payroll and roles and responsibilities of the payroll team, Managers, and the payroll provider. Checklists for procedures should form part of the policy as appendicles and detail regarding how these should be used and approved appropriately should be included. This policy should then be reviewed on annual basis and have a Senior Management Team approval.
- The Payroll checklists to review on a regular basis to ensure they do not reflect out of date processes and procedures.

Executive/ Management Sponsor: Andrew Leadbetter, Director of Governance and Commissioning

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: • 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: • 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 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: • 65% Qualified (CCAB, IIA etc.) • 35% Part Qualified
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 was completed in September 2020.

Overview of Output Delivery

REVIEW TITLE	PLANNED REPORTING TO P & O				ASSURANCE LEVEL	Commentary
	Sep	Nov	Feb	June		
CORPORATE SERVICES						
Financial Systems			●			Fieldwork Nov 2020
National Fraud Initiative (Carry forward)	✓			o		Briefing and Staff notices issued.
PROTECTION & ORGANISATIONAL PERFORMANCE						
Risk Management			●			Fieldwork Nov 2020
Risk Management Board		●	o	o		
SERVICE DELIVERY / OPERATIONAL POLICY & ASSURANCE						
Collaboration/ Partnerships			●			Planning
Estates Management				●		Planning
PEOPLE						
Payroll		✓			Substantial	Complete
Pensions (Carry forward 2019/20)		✓				Draft Report
FOLLOW-UP AND CONTINGENCY						
Follow-up		✓		●		Phase 1 Complete
Contingency						

Key

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