



Internal Audit Progress Report Performance & Overview Committee (November 2021)

Cheshire Fire and Rescue Service

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Your Team

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Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

1 Introduction

This report provides an update to the Performance and Overview Committee in respect of the progress made against the Internal Audit Plan for 2021/22 and brings to your attention matters relevant to your responsibilities as members of the Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

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.

This progress report covers the period April 2021 to September 2021.

2 Key Messages for Performance and Overview Committee Attention

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

2021/22 Audit Reviews	<p>The following reviews have been issued:</p> <ul style="list-style-type: none">• Blue Light Collaboration (Limited assurance) Recommendations in relation to governance and performance were agreed. Refer to Appendix C for details of Key Areas from our Work and Actions to be Delivered• National Fraud Initiative – Data Matches Further work to analyse the potential data matches is underway.• The following reviews are in progress:<ul style="list-style-type: none">○ Health and Wellbeing○ Financial Systems○ Cyber – Organisational control
Follow Up	<p>A summary of the status of follow-up activity was provided to the June Performance and Overview Committee.</p>
Audit Plan Changes	<p>Approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.</p>

	<ul style="list-style-type: none">• There are no current proposals to amend the approved audit plan.
Insights	<p>Audit Committee Chairs Webinars</p> <p>We are continuing to hold webinars with groups of NHS / Client Audit Committee Chairs focusing upon governance challenges and other key issues.</p> <p>Collaborative Masterclass Events - book via our website www.miaa.nhs.uk</p> <ul style="list-style-type: none">• Leading for Social Change: Becky Margiotta, The Billions Institute (11th November 2021)• How the North West is facing the Building Back Fairer Challenge: Professor Sir Michael Marmot (18th November 2021)

Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 21/22:

HOIA Opinion Area	Status	Assurance Level
Core/ Mandated Assurances		
Key Financial Controls	Fieldwork in progress	
National Fraud Initiative	Briefing issued May 21. Further work Oct 21	N/A
Risk Based Assurances		
Risk Management Board	Qtr 1 - 4	
Cyber – Organisational Controls	TOR agreed. Fieldwork 18/11/21	
Working Time Monitoring Arrangements	Planning	
Operational Debrief and Learning	Qtr 4	
Health and Wellbeing	Fieldwork in progress	
Follow Up		
Qtr 1	Completed	N/A
Qtr 4	Scheduled Jan 2022	N/A

If 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.

Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Every Report	Green	
Percentage of recommendations which are implemented	Twice per year	Green	Follow up reports are provided twice per year.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service are CCAB/IIA qualified.
Quality	Annual	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. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	Blue Light Collaboration (20/21 review)			
Executive Sponsor	Director of Commissioning and Governance			
Objective	To provide independent assurance in respect of the effectiveness of the governance arrangements in place for the Blue Light collaboration.			
Assurance Level	Limited Assurance (but see note at end of this report)			
Recommendations	0 x Critical	3 x High	0 x Medium	0 x Low
Summary	<p>Collaboration Agreement</p> <p>An overarching Programme Collaboration Agreement is in place between The Police and Crime Commissioner for Cheshire and Cheshire Fire Authority. This agreement sets out the framework for collaboration and also documents the overall purpose of collaborative working, enabling parties to agree to joint working and to identify common provisions once opportunities are identified. We found that the agreement is in draft form and is yet to be finalised</p> <p>Schedule 1 of the draft Agreement, sets out the relevant Joint Corporate Services included. A Service Specification in relation to each area forming Joint Corporate Services is intended to be appended to the finalised Agreement. Whilst there is evidence to demonstrate that performance measures have been identified within individual Service Plans, audit review confirmed that these often describe processes undertaken to deliver the service, without the basis for allowing qualitative data reporting, with meaningful performance measures. A full suite of KPIs to measure and evaluate performance and the systems from which this data is extracted need to be finalised and regularly reported upon.</p> <p>Monitoring and Review</p> <p>Our audit focused on IT and Estates services and we evaluated the way in which the two services were monitored in respect of the services they provide to Cheshire Fire and Rescue Service. We confirmed that an IT Performance Dashboard is produced and monitored monthly. There is a Service Catalogue rather than a Service Plan, but this does not appear to cover all of the support elements delivered by IT, e.g. the Service Desk. In the absence of an</p>			

	<p>agreed service specification/plan for the whole of the IT service that is being provided, MIAA were unable to provide assurance of the adequacy of performance data produced.</p> <p>At the time of our audit, performance data in respect of Estates was limited. There was no evidence to demonstrate that performance in relation to Estates had been agreed and reported upon. Audit review of the draft Estates Plan identified that the KPIs proposed were poorly designed with inadequate definitions to support the measurement and accurate reporting of data.</p> <p>We recommend that a full review of the individual service specifications currently in place, should be undertaken to ensure that performance indicators reported against are meaningful and support the overarching collaboration arrangement.</p> <p><u>Governance</u></p> <p>The Blue Light Collaboration Agreement makes reference to a Blue Light Collaboration Executive Committee, which acts as the oversight body. It is not clear whether this Committee has a role in overseeing performance of the joint corporate services and this needs to be clarified as the Collaboration Agreement is finalised.</p> <p>A monthly Joint Corporate Services meeting takes place between the Director of Governance and Commissioning and Group Manager (Projects) and all of the Heads of Department and the Assistant Chief Officer from Cheshire Constabulary.</p> <p>A range of operational meetings take place to review and monitor performance at service level, focused on projects and service delivery. The effectiveness of these meetings will be enhanced with the introduction of appropriate performance measures.</p>
<p>Key Areas Agreed for Action</p>	<p>Three high risk recommendations were agreed:</p> <ul style="list-style-type: none">• Ensure the Blue Light Collaboration Agreement is finalised and the agreement is approved at a relevant committee, which should subsequently receive assurance on its progress. Separate service specifications, which support the Blue Light Collaboration agreement (to be collated within Schedule 1) should be further developed. Once finalised, the service specifications should be regularly reviewed/formalised to ensure that they detail the service provided and KPIs.• Key performance indicators for the services range in detail and depth and these need to be updated to ensure there are

	<p>adequate, measurable indicators for all services that can be validated and monitored.</p> <ul style="list-style-type: none"> • Greater formality should be introduced for the governance, oversight and performance monitoring of the collaboration.
<p>Key Risks Highlighted with No Agreed Action</p>	<p>N/A</p>
<p>Update</p>	<p>As a result of the Service Management Team Review additional resources were allocated to the management of the Blue Light Collaboration. At the time of the audit this had not had an impact.</p> <p>Since the audit a significant amount of progress has been made in addressing the recommendations from the audit.</p> <p>The Collaboration Agreement should be finalised this calendar year, with only a few areas to be agreed. This will assist in further clarifying the various roles and responsibilities for managing the collaboration.</p> <p>The performance measures for most of the service areas have been reviewed and data is being produced. These indicators will be agreed and incorporated into the service plans for 2022-23.</p> <p>A new performance regime has been designed and implemented and this is beginning to deliver enhanced, regular reporting in a number of areas. This work needs to be completed in time for a fresh reporting cycle in 2022-23.</p>

Report Title	National Fraud Initiative (NFI) Update - Release of Matches 2021/22
Executive Sponsor	Director of Commissioning and Governance / Head of Finance
Objective	To review data matches to identify potential fraud or error.
Assurance Level	N/A
Recommendations	N/A
Summary	<p>The Cabinet Office coordinates the National Fraud Initiative (NFI) through powers under Part 6 of the Local Audit and Accountability Act 2014 to conduct data matching exercises to assist in the prevention and detection of fraud and error. This programme has been in existence now for over 20 years and has successfully identified over £1.69billion of fraud and error within the Public Sector.</p> <p>The NFI continues to play an important role in protecting the public purse against fraud and is as important as ever with the true cost of fraud, estimated between £20billion and £40billion a year. The task of identifying fraud and error is continuous, to ensure funds and resources are allocated to the many honest deserving families in need.</p> <p>Participation in the exercise results in a range of data matches being produced (payroll, creditors and procurement) which are designed to target fraud as well as providing assurance on a range of corporate governance issues. In addition, the inclusion of your data will help identify overpayments and uncover fraud at other participating bodies, including NHS and other public sector organisations.</p> <p>The submission of data, relating to payroll and creditors, was undertaken between 9th October and 1st December 2020. The Cabinet Office has risk assessed the information and we have received a number of potential matches were received in January 2021 (payroll and creditors) and February 2021 (payroll to creditors and procurement).</p> <p>MIAA in conjunction with the Finance and HR Teams will action and complete all Amberhill matches (if applicable) by the 31st March 2021. We will liaise with your Payroll/HR teams to confirm the information highlighted within the matches. This will include verifying the employment status of individuals; secondary employment declarations; and sickness absences. MIAA will liaise with the matching authorities to establish any fraud or error.</p>

	<p>Creditor matches are to be actioned and completed by the Finance team. MIAA will extract the relevant reports from the NFI system to share with the Finance team to investigate and clear matches identified. The AFS will then update the NFI system with the outcomes of investigations completed, following receipt of the updated reports.</p> <p>A full report outlining the initial progress against the priority matches will be provided to the Director of Governance and Commissioning and the Head of Finance by the end of the financial year (2021-22).</p>
<p>Key Risks Highlighted with No Agreed Action</p>	<p>N/A</p>