



Shropshire
Fire and Rescue Service

Appendix to report on
Internal Audit Annual Report and Opinion
Standards Audit and Performance Committee
10 July 2024



ANNUAL REPORT OF INTERNAL AUDIT

2023/24

Date: July 2024



1. BACKGROUND

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Head of Internal Audit to provide an annual Internal Audit Opinion and report that can be used by the organisation to inform its Annual Governance Statement.
- 1.2 The Standards specify that the annual report must contain:
- An Internal Audit opinion on the overall adequacy and effectiveness of the organisation’s governance, risk management and control framework (i.e. the control environment);
 - A summary of the audit work (including organisational knowledge) from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - A statement of the extent of conformance with the Standards including progress against the improvement plan arising from any external assessments.

2. INTERNAL AUDIT OPINION 2023/24

- 2.1 The Head of Internal Audit’s overall opinion on the organisation’s system of internal control is that:

Reasonable assurance can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation’s objectives.

Of the 7 graded assignments completed in 2023/24, 6 (86%) resulted in an opinion of either Substantial or Reasonable assurance, with 1 Limited assurance rating.

The progress made by management in implementing the actions arising from audits has been good. Follow up work completed by Internal Audit has not highlighted any overdue High or Medium priority actions. Implementation of agreed control improvement actions strengthens the organisation’s framework of governance, risk management and control.

The organisation has an embedded framework of risk management in place, with a clear focus on control and treatment. There were evidenced reviews and updates of the Corporate and Departmental risk registers during the year.

- 2.2 A summary of Internal Audit assurance opinions issued in 2023/24 is shown in Table 1 below:

Table 1 – Summary of Internal Audit Opinions in 2023/24

Assurance Area	Substantial	Reasonable	Limited	No
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Financial	3	0	0	0
Strategic & Operational Risks	2	1	1	0
Totals	5	1	1	0

3. REVIEW OF AUDIT COVERAGE

3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

Table 2 – Assurance Categories

Opinion	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

The prioritisation of recommendations made by Internal Audit is based upon an assessment of the level of risk exposure. The Auditor's Opinion considers the likelihood of corporate/ service objectives not being achieved, and the impact of any failure to achieve objectives. In order that recommendations can be prioritised according to the potential severity of the risk, a traffic light system is used as follows:

Definition of Priority of Recommendations

Priority	Definition
H	Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.
M	Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.
L	Issues of best practise where some improvement can be made.

3.2 Summary of Internal Audit Work

Table 3 details the assurance levels resulting from all audits completed during the year:

Audit Area	Assurance Opinion
Financial	
Main Ledger	Substantial
Creditors	Substantial
Payroll & Pensions	Substantial
Strategic & Operational Risks	
Fleet Maintenance	Substantial
Community Engagement & Safety	Reasonable
Leave Processes	Limited
Follow up reviews	Substantial

Outlined at pages 8 to 12 is a short summary of the findings of each of the audits completed. It should be noted that many of these findings have previously been reported as part of the defined cycle of progress update reports provided to the Committee.

3.3 Adding Value

Much internal audit work is carried out “behind the scenes” and is demand led but is not always the subject of a formal report. Examples include:

- Governance e.g. assisting with the Annual Governance Statement.
- Risk management. For example, the critical review of Business Continuity.
- Dissemination of information regarding potential fraud cases likely to affect the organisation.
- Drawing managers’ attention to specific audit or risk issues. For example, the critical review of Stores.

- Internal audit recommendations: follow up review and advice.
- Day to day audit support and advice for example risk implications arising from proposed changes in controls.
- Networking with audit colleagues in other Councils on professional points of practice.

4. QUALITY ASSURANCE AND COMPLIANCE WITH PROFESSIONAL STANDARDS

- 4.1 The Public Sector Internal Audit Standards (the Standards) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The Standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 4.2 The objectives of the Standards are to:
- Define the nature of internal auditing within the public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for evaluation of internal audit performance and to drive improvement planning.
- 4.3 The Standards require that an independent External Quality Assessment (EQA) of the service be completed every 5 years. An EQA has just been completed in May 2024, and the results confirm that the service is operating **in General Conformance to the Standards**. This is the highest of the three available assessment grades. The findings of the external assessment are being used to develop a continuous improvement action plan which will be presented with a new Quality Assurance policy at the next Standards, Audit and Performance Committee meeting.
- 4.4 As part of the EQA a client satisfaction survey was issued and based upon a response from 15 senior client officers and members, there was a 92% positive satisfaction score. Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. All staff work to a given methodology and have access to the internal audit reference material and Charter which are updated regularly to reflect the requirements of the standards and the changing environment that Internal Audit operates in.

5. ORGANISATION INDEPENDENCE

If independence or objectivity is impaired in fact or appearance, the Head of Internal Audit is required to disclose this. The Head of Internal Audit can confirm

that the Internal Audit service is independent and objective, and this is currently demonstrated in a number of ways:

- The Head of Internal Audit reports directly to the s151/ chief finance officer at all organisations in the Shared Service and the equivalent Audit Committee. He also has direct unfettered access to the Heads of Paid Service, Monitoring Officers and Chairs of the Audit Committees.
- Any attempts to unduly influence the scope of audit reviews or the contents of reports will be reported by the Head of Internal Audit to the Head of Paid Service and the Chair of the Audit Committee.
- All officers responsible for internal audit work are required to complete an annual Declaration of Interests form, which is in turn reviewed by the Head of Internal Audit. In the case of the Head of Internal Audit, the form is reviewed by the Director of Corporate Resources (s151 officer) at Worcester City Council. Auditors are required to report any interests that might compromise the impartiality of their professional judgements – or give rise to a perception that this impartiality has been compromised. Any conflicts of interest are avoided when allocating assignments.
- The Standards, Audit and Performance Committee approves any significant consultancy activity included in the Internal Audit Plan.

6. LIMITATIONS INHERENT TO THE WORK OF INTERNAL AUDIT

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the

possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees, management override of controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

7. SUMMARY OF INTERNAL AUDIT FINDINGS

Audit Area	Assurance Rating	Summary of Findings
Main Ledger	Substantial	<p>The objective of the review was to provide assurance that reconciliations are being undertaken and are up to date. This followed completion of a full Main Accounting system audit.</p> <p>The review found that reconciliations had continued to be undertaken in a timely manner and good controls were identified in respect of payments in the suspense account being cleared.</p> <p>There were no significant weaknesses or recommendations arising from the review, and accordingly a Substantial level of assurance was provided.</p>
Creditors	Substantial	<p>This audit focused on the accuracy of invoices, matching to purchase orders, addressee etc., and processing of payments in line with the prompt payment code.</p> <p>The review was requested by management as a follow up to the full audit completed in 2022/23.</p> <p>Since the last audit, no significant issues have been identified based upon a randomly selected sample of transactions from 1st April 2023 to 31st December 2023. There have been no recent or planned changes in the system used or the key responsible officers for this area.</p> <p>There were no significant weaknesses or recommendations arising from the review, and accordingly a Substantial level of assurance was provided.</p>
Payroll & Pensions	Substantial	<p>We have provided an opinion of substantial assurance over the control environment of the SWFRS payroll and pension system. This was provided due to the sound system of internal control SWFRS has in place over the policies and processes surrounding the</p>

Audit Area	Assurance Rating	Summary of Findings
		on-call variable pay, statutory sick and maternity pay, and expenses/overtime processes within the payroll system.
Fleet Maintenance	Substantial	<p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • The department is aware of its requirements to provide reserve appliances and maintains high standards in its approach to the resolution of primary appliance failures/issues. • The department strives for efficiency and is considerate of changing requirements, inputting new management systems and methodologies for its staff and resources. • Business resilience is considered at a service and departmental level ensuring that the effect on service delivery is minimal, internal, and external factors are discussed. • The department provides opportunities for qualifications, training, and advancement to its staff. • The department ensures it is capable of service delivery through short- and long-term planning and dynamic assessing, informed by trend analysis. • Staff experience and knowledge is valued and considered by management in departmental delivery. <p>The department has identified the legal and industry standards to which fire appliances must be maintained. Arrangements for independent audits against these requirements have been established; no areas of concern were identified.</p> <p>There were no significant weaknesses or recommendations arising from the review, and accordingly a Substantial level of assurance was provided.</p>
Community Engagement & Safety	Reasonable	<p>The objective of this audit was to provide assurance that the Service is committed to its vision of ‘making Shropshire safer’ and continues to explore ways of reducing fires and other emergencies; doing everything possible to keep communities safe.</p> <p>The scope covered:</p>

Audit Area	Assurance Rating	Summary of Findings
		<ul style="list-style-type: none"> • Assurance that community visits take place regularly, with enforcement where applicable. • Assurance that internal and external communication mechanisms are used to their full advantage. • Assurance that the process of managing engagements and public-related/homes visits/projects are robust and include the following: <ul style="list-style-type: none"> ➢ Information (Media relations) ➢ Consultation (Surveys) ➢ Involvement and collaboration (Roadshows, Events and Meetings etc) ➢ Empowerment (Engagement with relevant interest groups, partnerships, deliberate workshops etc). • Assurance that all checks are carried out for working with Vulnerable Adults and Children for example Disclosure and Barring Service (DBS) checks. <p>This review did not cover the comments in the HMICFRS Values and Culture Report: Recommendations and Approach.</p> <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • Home visits have increased in the last year and reporting statistics are currently in line with measures pre Covid. • The service has robust controls over identifying risks that sit within areas of the community. Tactical plans have been incorporated that allows the service to demonstrate tackling these risks effectively. • Information i.e. Media relations: the service makes all round use of the media when it comes to delivering relevant campaigns, messages and events. The 'likes' of social media sites such as Facebook and X (formerly twitter) and actively using local newspapers and or radio broadcasts are used effectively. • The process and system used for scheduling visits is robust. The service has a programme that works successfully, and efficiently.

Audit Area	Assurance Rating	Summary of Findings
		Management agreed actions designed to maximise all opportunities to share and receive targeted data from all partners and to further assess the frequency of each visit, based on risk.
Leave Processes	Limited	<p>The scope of this review covered:</p> <ul style="list-style-type: none"> • Policies and procedures for all leave, annual, unpaid, special, and compensatory. • Documentation of leave. • Approval and Authorisations. <p>The review highlighted that there were significant gaps in the controls surrounding leave processes. Officers showed limited awareness of leave policies and there was no compensatory leave policy in place. There were currently no checks or balances to ensure the legitimacy and accuracy of compensatory leave records.</p> <p>In addition there were no controls surrounding the authorisation, notification or alert in the event duty officer requirements are not met as a result of rota changes. Whilst annual leave entitlement is set within the system, however there were no limits to the amount of annual leave able to be booked. Annual leave could therefore be booked in excess of entitlement. Staff were also able to retrospectively adjust leave within the rota with no timeframe or limitation set for this process. Management has agreed actions to address these issues, which will be followed up by Internal Audit later in 2024.</p>
Follow up reviews	Substantial	The progress made by management in implementing the actions arising from audits has been good. Follow up work completed by Internal Audit has not highlighted any overdue High or Medium priority actions. Implementation of agreed control improvement actions strengthens the organisation's framework of governance, risk management and control.