

## Risk Management Group – Internal Audit Progress Monitoring Report

### Report of the Chief Fire Officer

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### 1 Purpose of Report

This report provides Members with an update on the monitoring of recommendations made by Internal Audit that is undertaken by the Risk Management Group (RMG). It specifically covers details about the progress made against outstanding recommendations.

### 2 Recommendations

Members are asked to:

- a) Note the progress that has been made against the outstanding recommendations: and
- b) Note that the Risk Management Group will continue to monitor progress against all recommendations, reporting progress to this Committee on a regular basis.

### 3 Background

'External Audit' (e.g. Comprehensive Area Assessment) is the means by which Government gets its assurance about how well the Service is operating. They also perform the statutory audit of the Authority's final accounts. In contrast, 'Internal Audit' is a tool, available to Senior Management and Members, for them to get an independent judgement about the level of confidence they can have that the policies and procedures they have put in place, to control various aspects of the Service that are considered 'risky' (e.g. finance), are operating in a way that reduces those risks.

It therefore follows that any recommendations made by our Internal Auditors, as a result of the audits we have directed them to undertake should be implemented in an appropriate manner. Recognising that each deficiency identified in our procedures is likely to result in a different level of risk exposure, Internal Audit rate each of their recommendations to assist the Service in deciding the priority for any remedial work.

These categories are shown below:

- i) Fundamental - Immediate action is required to address major control weaknesses that could lead to material loss;
- ii) Significant - Action needed to address a substantial control weakness where systems might be working but errors may go undetected;
- iii) Requires Attention - Action needed to improve existing controls or improve efficiencies.

In March 2008, this Committee agreed a process for dealing with recommendations that fall out of these audits, to ensure that officers are dealing with all matters effectively.

- o The Committee would consider directly any “**Fundamental**” recommendations; and
- o “**Significant**” and “**Requiring Attention**” recommendations are considered initially by the Risk Management Group (RMG) and any delays or failures in implementing these recommendations would be brought to the Committee.

This process has been used by the RMG since it was initially agreed. Members should note that there have been no ‘Fundamental’ recommendations since this monitoring process was implemented.

#### **4 Risk Management Group and Internal Audit**

At a recent meeting, between the Treasurer, the Risk Manager and Internal Audit, several issues were discussed:

- a. Modifications to the current 4 year audit programme – these are discussed in a separate report (see Report 6);
- b. The procedures to be audited as part of the annual themed ‘Fraud Audit’ – confirmed as being the Services new overtime procedures; and
- c. How to progress some issues that are reoccurring each year – this is discussed below.

Internal Audit raised concerns about a number of recommendations that, despite responsible officers stating that they had carried out actions to remedy a particular issue, these actions had not been successful in overcoming those problems. Internal Audit are concerned that, because they are having to spend a proportion of their time auditing the same issues each year, they are not able to move on to new areas and are therefore not adding as much value as could be possible. It was agreed that, in accordance with the process outlined in the previous section, Internal Audit would present details of these concerns to the next RMG, thereby enabling RMG members (including the Member Champion for Risk and Audit) to progress these issues with the responsible officers. This will allow Internal Audit to devote their time to other areas of control. The outcome from this work will be reported to Members in the next report from the RMG.

## **5 Outstanding Recommendations**

In the September report to this committee (Report 12, 10<sup>th</sup> September 2009), Members noted that Internal Audit's Annual Summary Report gave some details about a number of recommendations from their 2005 and 2006 audits which, at the time of their last inspection of those areas, had not been fully implemented. RMG have continued to closely monitor and report to Members on all of these outstanding issues, calling in the relevant officers as necessary. The latest position on these outstanding recommendations is presented in the appendix. Those recommendations that have previously been reported to Members as having been fully implemented have been omitted for the list included in the appendix.

## **6 Financial Implications**

There are no direct financial implications arising from this report.

## **7 Legal Comment**

Although the Fire Authority is not legally required to have in place a Code of Corporate Governance, it is considered best practice to do so.

## **8 Equality Impact Assessment**

This report simply reports progress against various recommendations made by Internal Audit and therefore has no direct impact on people. It has been assessed against the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and this has shown that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

## 9 Appendix

Progress against 'outstanding' recommendations

## 10 Background Papers

### Audit and Performance Management Committee

10 September 2009, Report 12 – Risk Management Group – Internal Audit Progress Monitoring Report

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	*
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	*
Financial		Staff	
Fire Control/Fire Link		Strategic Planning	
Information, Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment (attached)	*



**Progress against ‘outstanding’ recommendations**

PERSONNEL 2005/06	Classification Rating	Progress
1. A procedure should be produced which sets out the steps that should be followed for the recruitment of non-uniformed staff once the national policy has been completed.	Requires Attention	The Brigade Order on Recruitment should be going to Policy Group, for their ratification, before the end of February.
2. The Brigade Orders should provide guidance on how many people should be present on an interview panel. This may vary depending on the grade of the post being recruited.	Requires Attention	The Recruitment Brigade Order states that a minimum of two people should be on an Interview Panel.
3. Consideration should be given to introducing a standard summary sheet for all non-uniformed recruitment which records the results of interviews so that it is obvious who the successful candidate is.	Requires Attention	Consideration has been given to this recommendation however, because each recruitment process includes different selection tests, relevant to that particular role, a standard summary sheet would not be effective. The Brigade Order states that all paperwork from a selection process must be forwarded for storage by HR. This ensures that the process is open to appropriate scrutiny. This is considered a more appropriate measure.
4. The induction process should be finalised and implemented at the earliest opportunity.	Significant	The Brigade Order on Induction should be going to Policy Group, for their ratification, before the end of February.

5. The SWFA website should be updated to ensure the most up to date Brigade Orders are included. In particular, the following Orders should be replaced, if appropriate, by more up to date versions: HR Brigade Order 6 'Pay and Allowances', including sections 1,2 and 3.

Requires Attention

Following discussion with Internal Audit, this issue relates to review dates on Brigade Orders and those occasions where a published BO is beyond its review period. This could result in the reader not being confident the BO is the latest version. This will require a complete review of BO's and their review dates. The review needs to include a realism check on how often BO's need to be reviewed, taking into account the capacity to do the reviews. As a consequence of this clarification, this recommendation will be superseded by a new recommendation in the Risk Management Audit Report.

**MISCELLANEOUS 2006/07**

2. Brigade Orders Technical should be reviewed to ensure that they are up to date, including the inventories of vehicles and equipment, to provide assurance to those reading the Brigade Orders that they are regularly reviewed and are thus up to date

**Classification Rating**

Requires Attention

**Progress**

Appliance inventories will be included in the Asset Management System (due for completion in June 2010) and, as a consequence, they will be removed from Brigade Orders.

3. In order to comply with Brigade Orders, an inventory of office furniture and equipment should be compiled. However, the requirement may wish to be reconsidered in which case, Brigade Orders should be updated to reflect any decisions made.

Requires Attention

RMG discussed this issue with AK and agreed that an inventory of office furniture, and the ongoing need to maintain such a list, would be unwarranted. RMG believe the main issue here relates to our IT equipment. The implementation of the Asset Management System (June 2010), will improve the paper lists currently used to record and track this equipment.

PROCUREMENT 2006/07	Classification Rating	Progress
<p>3. As per the procurement policy, suppliers with a cumulative spend of £5,000 and six or more orders in a year should be subject to review by the Head of Resources. This could help identify areas where a corporate procurement arrangement may produce savings.</p>	<p>Significant</p>	<p>RMG discussed this issue with the Head of Resources and agreed a way forward on this matter. An Excel spreadsheet has been created that summarises the previous year's purchases and shows where contracts are, and are not, in place. RMG agreed that, with the addition of some extra columns, this simple form would be a useful basis from which they could consider recommendations for annual targeted reviews of particular procurement schemes. This would help to ensure the work is manageable for officers, but also ensures that the resulting work is focussed in areas where greatest benefit is likely to be gained. This process, and the first round of reviews, will be started from April onwards.</p>



VEHICLE FLEET 2006/07	Classification Rating	Progress
<p>1. The use of TRACE to regularly monitor fuel usage per vehicle to be considered, particularly as fleet is growing in terms of light vehicles. Budgeted fuel costs represent 25% of direct budgeted transport costs in 06/07.</p>	<p>Significant.</p>	<p>It is thought that this is recommendation is looking at the threat from people misappropriating fuel that should be used in fleet vehicles, as well as the general budgetary implications of fuel costs.</p> <p>In relation to the first, the RMG discussed the effectiveness of vehicle log books and concluded that there was little opportunity for staff to misappropriate fuel, without it being picked up.</p> <p>In relation to the second issue, following discussion with the Head of Resources, the RMG noted that the Service had relatively little control over the majority of journeys that need to be made, as they are directly related to service delivery. The increasing cost element is an issue, but is related to the combination of the increased number of journeys to do CFS, particularly in the more rural parts of the county, and increasing fuel costs. The Group noted that monitoring of Brigade fuel usage was being looked at as part of the 'green agenda'.</p> <p>It was agreed that TRACE is not the right tool to do fuel monitoring. The Head of Resources will progress this work through the environmental monitoring processes.</p>

VEHICLE FLEET 2006/07	Classification Rating	Progress
<p>2. Consideration should be given to employing a clerical assistant to input job sheet data to TRACE. Alternative systems could be investigated for feasibility such as capturing the data electronically thus reducing the need for high volume manual input.</p>	Requires Attention	<p>Following discussion with the Head of Resources (HoR), it was identified that there is a possibility of this work being included in the wider review of Admin Support that is being conducted as part of the Shrewsbury Project. The HoR will liaise with the Corporate Services Manager to ensure this review is progressed.</p>
<p>3. A procedure manual for the TRACE system to be drawn up.</p>	Requires Attention	<p>RMG discussed this issue with the HoR and agreed that, to a large extent, the threat from this risk has been reduced by additional staff being trained on TRACE. However, the HoR stated that there is still a need for a 'simple and user-friendly' manual to be developed, and that this will hopefully be completed by the end of March.</p>