

INTERNAL AUDIT PROGRESS REPORT

REPORT OF THE CHIEF FIRE OFFICER

**For Information**

1. PURPOSE OF REPORT

- 1.1 To apprise Members of the progress of the 2021/22 Internal Audit Programme.

2. RECOMMENDATIONS

- 2.1 That Members note the completed final reports from 2020/21.
- 2.2 That Members note the progress made in the 2021/22 Internal Audit Plan.
- 2.3 That Members consider whether it is necessary to report to the Fire Authority on any concerns raised.

3. BACKGROUND

- 3.1 Under the Accounts and Audit Regulations (2006), the Fire Authority is responsible for ensuring an adequate and effective internal audit.
- 3.2 At the Audit and Governance meeting on 26 February 2021, Members adopted the Internal Audit Plan for 2021/22. The audits are carried out by Hartlepool Borough Council and cover over 100 days.

4. 2020/21

4.1 AUDIT SUMMARY

2020/21 AUDITS	RESP OFFICER	AUDIT STATUS	ACTION	COMMENTS
Cash / Bank Reconciliation	L Younger	Satisfactory Assurance		Completed - Ongoing Being finalised
Fraud Awareness	L Younger	Satisfactory Assurance	1 action	Completed

FRAUD AWARENESS	
Audit Status: Completed Satisfactory Assurance	1 action
<p>The audit involved reviewing the National Audit Office publication 'Good Practice Guidelines, Fraud and Error (March 2021) which describes both the audit expectations for accountability and transparency around fraud and error and understanding how the organisation can tackle it. In particular, the audit focussed on chapter 4 of the document which sets out good practice guidance based around the Fraud and Error Audit Framework's principles and provides examples of how the Framework can be applied.</p> <p>The audit objectives were:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The Authority has a strategy for tackling fraud and error risk, based on robust evidence and analysis, leading to clear prioritisation. <input type="checkbox"/> Fraud and error risks are clearly understood and appropriate cost effective measures / operational activities designed to prevent, detect, investigate and correct fraud and error are established. <input type="checkbox"/> Effective arrangements are in place to ensure that controls established to manage risk / error are implemented as designed. <input type="checkbox"/> The Authority effectively measures the scale of fraud and error it is exposed to in order to identify strategies to reduce further risk / error. <input type="checkbox"/> The Authority regularly evaluates its risk / control environment to ensure that it can continue to achieve a cost-effective level of fraud and error. <p>Opinion</p> <p>The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled. This opinion is based on the result of Work Done shown below.</p> <p>Strategy and Governance</p> <p>The Authority has developed an Anti-Fraud and Anti-Corruption Strategy as part of its overall Ethical Governance Framework. The strategy demonstrates the Authority's commitment to the prevention of fraud and corruption. Part of the Authority's Constitution, the Strategy is periodically approved by Senior Management / Members. The latest review of the Constitution was undertaken by the Authority at its meeting dated 4/6/2021. The strategy is clearly linked to the Authority's corporate priorities and states how it contributes to the achievement of the following strategic goals defined in the Community Integrated Risk Management Plan 2018-2022.</p> <p>This is achieved by promoting the following principles:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law; <input type="checkbox"/> Ensuring openness and comprehensive stakeholder engagement; <input type="checkbox"/> Defining outcomes in terms of sustainable economic, social and environmental benefits; <input type="checkbox"/> Determining the interventions necessary to optimise the achievement of the intended outcomes; <input type="checkbox"/> Developing the entity's capacity, including the capability of its leadership and the individuals within it; <input type="checkbox"/> Managing risks and performance through robust internal control and strong public financial management; <input type="checkbox"/> Implementing good practices in transparency, reporting and audit to deliver effective accountability. 	

Section 3 of the Constitution: Terms of Reference and Delegated Powers: Details the terms of reference and delegated powers of the Authority and its Committees. Under Section 3, the Audit and Governance Committee is responsible for reviewing the Anti-Fraud and Anti-Corruption Strategy.

Section 3.9 of Delegated Powers assigns responsibility to institute prosecution in detected fraud cases to the Treasurer and Legal Adviser and Monitoring Officer.

The Authority has approved a risk management framework consisting of a policy, a detailed procedure, a risk management toolkit, a suite of risk registers and a detailed Community Risk Profile underpinned by a suite of risk assessments. This framework was approved by Members in 2018 and then communicated to all managers and staff.

The Corporate Risk Register (CRR) is the tool used to identify the strategic threats and risks to the achievement of the Authority's vision. It evaluates the risk and summarises the control measures identified to reduce these risks. The CRR therefore informs the strategic and financial planning processes of the Brigade. The Corporate Risk Register contains the risks and associated mitigating actions specific to the Authority. The register categorises risks by impact and likelihood as high, medium or low, by scoring both criteria from 1 to 4.

The CRR is reported to ELT at each meeting and is reviewed by the Audit and Governance Committee which reports any significant matters to the Authority.

The latest review by the A&G Committee took place at its meeting dated 25/6/2021.

In addition to the CRR, there are also departmental risk registers. A Finance risk register include fraud risks, however, it is dated 2019 and has not been subject to review. This is due to a changeover of staff.

Cleveland Fire Authority participates in the Fraud Alerts Network.

Design

The Authority's Anti-Fraud and Anti-Corruption Strategy provides a definition of fraud and corruption and also contains the Authority's Prosecution Policy which requires that fraud is:

- ☐ deterred in the first instance;
- ☐ detected quickly;
- ☐ investigated efficiently;
- ☐ all losses are recovered and offenders prosecuted.

Reports will be presented to the Audit and Governance Committee on monitoring and recovery of losses. Governance arrangements defined in the Authority's Constitution define organisational arrangements to prevent, detect, investigate and correct fraud and error:

- ☐ Emphasis on an effective control environment which is independently evaluated by Internal Audit, external audit and reported to the Audit and Governance Committee;
- ☐ publication of the Annual Governance Statement;
- ☐ employee induction and inclusion of relevant policy documents in members and staff handbooks, intern and intranet sites;
- ☐ Whistleblowing Policy;
- ☐ Prosecution Policy;
- ☐ Defined responsibility for investigating fraud;
- ☐ participation in computerised data matching initiatives;
- ☐ Staff / Member training in anti-fraud;
- ☐ Participation in the Fraud Alerts Network.

Governance arrangements defines expected standards and procedures that must be followed and emphasise the importance of the Authority's control environment. Whilst costs of established controls are not formally measured, any excessive costs would be identified and considered against impact / likelihood of risks.

Implementation

Audit testing confirmed that risk registers are subject to regular review by ELT and the Audit and Governance Committee. A Fraud Response Plan states that any issues raised will be acknowledged within 10 working days of a concern being received, the Monitoring Officer or Treasurer to the Fire Authority or designated officer will write to the complainant:

- ☐ acknowledging that the concern has been received;
- ☐ indicating how it is proposed the matter will be dealt with;
- ☐ giving an estimate of how long it will take to provide a final response;
- ☐ telling them whether any initial enquiries have been made; and
- ☐ telling them whether any further investigations will take place, and if not, why not.

Investigations will be reviewed by the Treasurer or Monitoring Officer to monitor the quality and effectiveness of investigations. A summary of investigations and outcomes will be reported to the Audit and Governance Committee.

There have been no instances of fraud in the last financial year.

Fraud awareness training has been provided to staff by the Legal Adviser and Monitoring Officer and Head of Audit and Governance. The latest session was provided on 21/5/2021. In addition, training is delivered on this topic with Elected Members as part of the Member Development Training and Members also receive regular reports on fraud awareness and related topics through the Audit & Governance Committee.

Measurement

Details of counter fraud work and associated staffing are reported on the Authority's website under the Local Government Transparency Code – Fraud. The website states that there is a nil return for 2020/21.

The Authority is required by statute to include in its annual accounts, an annual governance statement which demonstrates a continuous review of the effectiveness of the Authority's internal controls, performance and risk management systems.

No issues were identified within our Annual Governance Statement by our Internal Auditors or External Auditors. The Annual Governance Statement contained within the Financial Report 2019/20 was approved by Members of CFA on 16/10/20.

Evaluation

Audit testing confirmed that the Corporate Risk Register is regularly reported to ELT.

The CRR was reviewed by the Audit and Governance Committee on 25/6/2021.

The Authority does not undertake benchmarking of its level of fraud / error with other similar Authorities, however, as stated earlier in this report, there have been no cases of fraud in the last financial year.

Action Plan

Controls designed to manage fraud and error risks may not be appropriate, effective or financially viable if their impact and likelihood are not clearly understood or consideration is given to an appropriate balance between deterrent, prevention and detection activities.

ISS.1 Fraud risk register**Finding**

A Finance Register is in place which includes Fraud Risk. It is dated 2019 and has not been subject to review due to a changeover of staff.

Recommendation

The Finance Risk Register which includes fraud risks should be incorporated into the Authority's cycle of reviews to ensure that fraud risks are subject to appropriate consideration and management.

Action Plan – to be completed by 31 March 2022

CASH BANK RECONCILIATIONS	
Audit Status: Completed Satisfactory Assurance	Ongoing – being finalised
The overall opinion is that Satisfactory Assurance can be provided that the risks identified are well controlled.	
AWAITING FINAL REPORT	

AUDIT STATUS

In progress
Completed
Undertaken behind schedule

5. 2021/22**5.1 SUMMARY**

2021/22 AUDITS	RESP OFFICER	AUDIT STATUS	ACTION	COMMENTS
Creditors	L Younger			
Debtors	L Younger			
Insurance	L Younger	In Progress		
Officers Expenses	L Younger			
Payroll	L Younger			
Pensions	L Younger			
Procurement	L Younger			
Retained Firefighter Claims	L Younger			
Stores	D Richards			
VAT	L Younger			
National Fraud Initiative	L Younger			
Budgetary Control	L Younger			
Energy Management	D Richards			
Fraud Awareness	L Younger			
Information/Data Management - GDPR	D Richards			
Cash/Bank Recs	L Younger			

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