

Annex 2 – IA work supporting the HoIAS opinion 2021-22

Audits marked () may be utilised by the external auditor in their annual assessment of the likelihood of material misstatement in the Authority's financial accounts so the detailed scope will be subject to the External Auditor's (EA's) approach*

ToE – terms of engagement

HI – high importance recommendation

Institute of Internal Auditors definitions: -

- The first line of defence – functions that own and manage risk
- The second line of defence – functions that oversee or specialise in risk management, compliance
- The third line of defence – functions that provide independent assurance, including internal audit.

Work completed (to at least draft report issued stage or complete for the financial year)

No.	Category	Auditable area	Potential assurance requirements....	Position at 18/06	Summary recommendations	Opinion
22/2	Risk Management	Risk Management Review	<ul style="list-style-type: none"> • Continuous improvement of the risk management framework 	Final Report Issued Feb 2022	Improvements recommended in the following areas: <ul style="list-style-type: none"> • Policy update (including roles and responsibilities) • Adding a risk owner to the risk register • Consideration of section registers feeding into the organisational one • Consider further the reporting of risks to the Senior Management Team & Corporate Governance (including 'deep dive' into specific risks) 	Substantial Assurance
22/3	Internal Control	Key Financial Systems – Reconciliations and Balances (*)	<ul style="list-style-type: none"> • Key reconciliations and other agreed in scope processes are undertaken accurately and promptly 	Draft Report Issued June 22 – awaiting client	TBC	TBC

			<ul style="list-style-type: none"> <i>(Note, where applicable this will include follow up of any material internal control weaknesses defined in the International Standard on Auditing (ISA260) report).</i> 			
22/4	Internal Control	Key Financials Payroll (*)	<p>Payroll Starters, leavers and variations to pay are valid and accurately accounted for</p> <p>Note: the service provider changed during 2020-21</p>	Final report issued June 22	<ul style="list-style-type: none"> Suggested changes to method/details in variations to pay notifications Advice from the pensions provider re checking pensions contributions Contract performance monitoring 	Substantial Assurance
22/5	Internal Control	Key Financials Pensions (*)	<p>To provide assurance regarding operational processes for Fire Fighter Pensions. Topic area(s) will be risk assessed and then selected from the following:</p> <ul style="list-style-type: none"> Starters, leavers and variations to pension are accurately accounted for in respect of pensionable 	Final report issued June 22	N/A – No recommendations made	Substantial Assurance

			<p>adjustments required.</p> <ul style="list-style-type: none"> • Contribution banding, pensions increases, and dependants' pension requirements are correctly applied. • To review the validity and accuracy of calculations with regard to payments for new pensions and lump sums <p>Note: the service provider changed during 2020-21</p>			
22/6	Internal Control	Key ICT Controls 2020/21 (*)	<ul style="list-style-type: none"> • Robustness and integrity of the ICT infrastructure and associated applications that either directly or indirectly contribute to the production of the financial statements or associated management decision making <p><i>(Note: This is to complete our 20/21 coverage)</i></p>	Final Report Issued Sept 2021	<p>Improvements recommended in the following areas</p> <ul style="list-style-type: none"> • Annual Performance Reviews • Approval of ICT Strategy and Associated Performance Reporting • Updating/Creation of various Policies/documentation • Asset Information Reconciliation • Recording and Reporting of IT Health Checks • Server Monitoring 	Substantial Assurance

			<p><i>including addressing the high importance recommendation remaining within the Corporate Governance Committee arena)</i></p> <p>Note: This replaced audit 21/08 in 20/21</p>		<ul style="list-style-type: none"> • Disaster Recovery Policy/Testing • Deletion of disabled network accounts • Identity Management Solution 	
22/8	Internal Control	National Fraud Initiative	<ul style="list-style-type: none"> • To ensure that data requirements are matches identified as part of the 2020/21 NFI submission have all been adequately investigated and concluded and action taken where appropriate. 	Final report issued Aug 2021	<ul style="list-style-type: none"> • Be assured that a segregation of duties existed in the checking of the reports • Ensure any lessons learned/mitigating controls required from the two duplicate payments found are identified and promptly implemented • Seek legal advice regarding recovery of the one outstanding duplicate payment where the vendor is no longer trading • Reaffirm code of conduct procedures and ensure one employee makes a declaration 	No opinion - consulting work

22/9	Internal Control	Contract Procedure Rules and associated Policies and Processes	<ul style="list-style-type: none"> • Follow up of partial assurance report • Note the degree of detailed testing required for this specific audit means this cannot be absorbed from the allocation of time further below 	Final Report issued Feb 22	<ul style="list-style-type: none"> • Holding all contract documentation on a single blue light database • Holding copies of all contracts electronically • Training on revised procedures for all procuring managers/administrators • Periodic benchmarking/ market testing when purchasing multi-items from a single supplier with no contract. 	Partial Assurance
22/10	Internal Control	Segregation of duties within the finance function	<ul style="list-style-type: none"> • To ensure that an adequate segregation of duties exists within the restructured finance function • 	Final Issued June 2022	<ul style="list-style-type: none"> • Operational Finance Manual/Policy • Review of access to bankline payment system • E-form to request access to applications • Obtaining audit trails/key change reports from Unit4/Agresso • Fraud awareness training • Procedure notes for bank account changes inc secondary checks • Bank coordinate validation 	Substantial Assurance

22/11	Internal Control	Accounts Receivables – BACS Payment Process	<ul style="list-style-type: none"> BACS runs, and Direct Debit payments made are valid, accurate and complete and that they are processed in a timely and secure manner with due regard for segregation of duties. 	Final Report Issued November 2021	<ul style="list-style-type: none"> Process documentation covering additional/ urgent BACS runs. Ensure that adequate Segregation of Duties exists between those that can create a file on Unit 4 Business World and those that can process/approve the file on Autopay (HI) Reduction in generic accounts set up locking down the payments file while it resides on the Finance Shared Drive. Prompt secondary check to verify all new bank accounts and bank account changes (HI) Feasibility and practicality of enforced segregation of duties The validity of the payment file (SU11A) should be evidenced on the relevant documentation 	Partial Assurance
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					<p>by two separate officers as per the process.</p> <ul style="list-style-type: none"> • The Payments checklist completed by the Finance Team should be reviewed and updated and then fully completed as part of the process • Business Continuity arrangements for the BACS processes in the event of any system downtime should be documented within the relevant Business Continuity Plan(s). 	
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Work in progress

No.	Category	Auditable area	Potential assurance requirements....	Position at 18/02	Summary recommendations	Opinion
22/1	Governance	Workshop Services	<ul style="list-style-type: none"> Work undertaken delivers value for money and is undertaken by suitably qualified staff. <p><i>(This audit straddles the two financial years of 20/21 and 21/22)</i></p>	<ul style="list-style-type: none"> Draft report with Audit Manager for review 	N/A	N/A
22/7	Internal Control	ICT Controls 2021/22 (*)	<ul style="list-style-type: none"> Robustness and integrity of the ICT infrastructure and associated applications that either directly or indirectly contribute to the production of the financial statements or associated management decision making 	<ul style="list-style-type: none"> Draft report with Audit Manager for review 	N/A	N/A

Audits not completed

No.	Category	Auditable area	Potential assurance requirements....	Position at 28/06	Summary recommendations	Opinion
22/12	Various	Emerging Issues	Emerging issues affecting the service e.g. Forge Health, Residual Brexit Issues, Climate Change, New Legislation etc	N/A	N/A	N/A

Follow up testing of high importance recommendations

N/A	Various	High Importance Recs	Position		See immediately below for detail	
HI	Internal Control	Contract Procedure Rules (legacy)	Whilst progress has been made, there are still areas to complete in order to close the partial assurance rating and so this will form part of our 22/23 Internal Audit coverage and a further update will therefore be made once the 22/23 audit has been timetabled and completed		<p>The areas to complete relate to:</p> <ul style="list-style-type: none"> • All contract documentation being held on the Blue Light Database (BLPD). • All contracts located or a copy obtained from the supplier • Hold records electronically on the database. • Train procuring managers and administrators • Monitor successful delivery of training • Periodic benchmarking or market testing is completed and retained to ensure value for money when purchasing multi items from a single supplier with no contract. 	Outstanding

HI	Internal Control	Key Financial Systems – Reconciliations and Balances (legacy)	From our 21/22 testing it was ascertained that these specific recommendations have been addressed		The recommendation in respect of the Reconciliation of on cost control accounts remained outstanding but was retested as part of our 21/22 Key Reconciliations and Balances Audit currently being undertaken'	Cleared
HI	Internal Control	Accounts Receivables – BACS Payment Process (in year)	From our 21/22 testing it was ascertained that one recommendation has been addressed but one remains outstanding and will be re-tested		Evidence that an Adequate Segregation of Duties has been established within the BACS process The secondary check has been introduced to verify new/changes to bank account details.	Cleared Outstanding

Information shared by the HoIAS

Redcar & Cleveland cyber-attack lessons learned
Centre for Governance & Scrutiny - Audit & Scrutiny - opportunities for collaboration
Centre for Governance & Scrutiny - Scrutiny survey 2020-21
Public Accounts Committee - Gov't fraud & error report
Audit Scotland - fraud risks & case studies
Public Accounts Committee - articles on scathing LG audit report
Zero trust - cyber security
National Audit Office - Guidance Managing the commercial lifecycle
MHCLG - consultation on local audit proposals
Introductory guide to risk appetite
Potential fraud re GDPR compliance

Risk Management Partners - Procurement risk management guide
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CIPFA - Advisory Note on Governance
