

Appendix 1 – Progress against the Internal Audit Plan 2021-22 at 18th February 2022

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.

Prior Year Work Completed

As reported to the last Committee, all 20/21 audits have been completed (see below for completeness as this relates to a high importance recommendation)

| No. | Category | Auditable area | Potential assurance requirements.... | Position at 18/02 | Summary recommendations | Opinion |
|------|------------------|--|--|---------------------|---|---------|
| 21/3 | 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 <p><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></p> | Final Report Issued | <ul style="list-style-type: none"> Monthly reconciliations should be independently review and evidenced Oncosts salary control account reconciliations are undertaken/imbalances investigated (HI) Reconciliations undertaken on a monthly basis Improved procedures for 3rd party reconciliation of deductions Unreconciled Investment Bank Account transactions promptly identified and corrected (HI) Improved procedures for prompt clearing of suspense items Reminding staff re prompt payment of creditors | Partial |

| | | | | | | |
|--|--|--|--|--|---|--|
| | | | | | <ul style="list-style-type: none"> • Improved dept write off procedures • Improved procedures for closing balance transfers • Improved payroll upload procedures | |
|--|--|--|--|--|---|--|

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

| No. | Category | Auditable area | Potential assurance requirements.... | Position at 18/02 | Summary recommendations | Opinion |
|------|------------------|------------------------------|---|-------------------------------|--|-----------------------|
| 22/2 | Risk Management | Risk Management Review | <ul style="list-style-type: none"> • Continuous improvement of the risk management framework • | Draft Report Issued | TBC | TBC |
| 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 | Final Report Issued Sept 2021 | Improvements recommended in the following areas <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 | Substantial Assurance |

| | | | | | | |
|------|------------------|---------------------------|---|------------------------------|--|------------------------------|
| | | | <p><i>(Note: This is to complete our 20/21 coverage 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"> • Recording and Reporting of IT Health Checks • Server Monitoring • 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 | No opinion - consulting work |

| | | | | | | |
|-------|------------------|--|---|--|---|--------------------------|
| | | | | | employee makes a declaration | |
| 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 | Draft Report Re-issued January 22 | <ul style="list-style-type: none"> TBC | TBC |
| 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. Reduction in generic accounts set up | Partial Assurance |

| | | | | | | |
|--|--|--|--|--|---|--|
| | | | | | <ul style="list-style-type: none"> • 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 by two separate officers as per the process. • The Payments checklist completed by the Finance Team should be reviewed and updated and then fully completed as part of the process • Business Continuity | |
|--|--|--|--|--|---|--|

| | | | | | | |
|--|--|--|--|--|---|--|
| | | | | | <p>arrangements for the BACS processes in the event of any system downtime should be documented within the relevant Business Continuity Plan(s).</p> | |
|--|--|--|--|--|---|--|

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"> Testing nearing completion | N/A | N/A |
| 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 <p><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></p> | <ul style="list-style-type: none"> Testing underway | N/A | N/A |

| | | | | | | |
|------|------------------|-----------------------------|--|---|-----|-----|
| 22/4 | Internal Control | Key Financials Payroll (*) | <ul style="list-style-type: none"> Payroll Starters, leavers and variations to pay are valid and accurately accounted for <p><i>Note: the service provider changed during 2020-21</i></p> | <ul style="list-style-type: none"> Testing nearing completion | N/A | N/A |
| 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 adjustments required. Contribution banding, pensions increases, and dependants' pension requirements are correctly applied. | <ul style="list-style-type: none"> Testing nearing completion | N/A | N/A |

| | | | | | | |
|-------|------------------|---|---|---|------------|------------|
| | | | <ul style="list-style-type: none"> 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> | | | |
| 22/7 | 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"> Testing underway | N/A | N/A |
| 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 | <ul style="list-style-type: none"> Testing underway | N/A | N/A |

| | | | | | | |
|-----|---------|----------------------|--|---|-----|-----|
| N/A | Various | High Importance Recs | <ul style="list-style-type: none"> • Follow up testing of any high importance recommendations within our 19/20 legacy and 20/21 coverage (and any in year high importance recommendations during 21/22) to ensure they have been addressed in a timely manner in order to mitigate risk to an acceptable level. | <p><u>Contract Procedure Rules Recs 19/20</u></p> <p>Whilst progress has been made, there are still areas to complete in order to lift the partial assurance rating and so this will form part of our 22/23 Internal Audit coverage.</p> <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. | N/A | N/A |
|-----|---------|----------------------|--|---|-----|-----|

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | <ul style="list-style-type: none"> • 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. <p>A further update will therefore be made once the 23/23 audit has been timetabled and completed.</p> <p><u>Key Financials High Recs & Balances 20/21</u></p> <p>As reported</p> | | |
|--|--|--|--|--|--|--|

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | <p>previously, the following areas have been reported and signed off by this Committee:</p> <ul style="list-style-type: none"> • Responsibility for prompt independent reconciliation of 3rd party payments • Investigation and prompt correction of unmatched items appearing in Unit 4 accounting codes • Retention of evidence of approval to upload payroll values to Unit 4 <p>The recommendation in respect of the Reconciliation of oncost control accounts remains outstanding as this is</p> | | |
|--|--|--|--|--|--|--|

| | | | | | | |
|--|--|--|--|---|--|--|
| | | | | <p>being retested as part of our 21/22 Key Reconciliations and Balances Audit currently being undertaken'</p> <p><u>BACS: 21/22</u></p> <p>Update on the two high importance recommendations is as follows:</p> <p>The secondary check has been introduced to verify new/changes to bank account details.</p> <p>Evidence that an Adequate Segregation of Duties has been established within the BACS process cannot be signed off yet as implemented as we are awaiting evidence of</p> | | |
|--|--|--|--|---|--|--|

| | | | | | | |
|--|--|--|--|---------------------------|--|--|
| | | | | completion of this action | | |
|--|--|--|--|---------------------------|--|--|

Audits not started

| No. | Category | Auditable area | Potential assurance requirements.... | Position at 18/02 | 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 |

Areas of the original plan that will not be undertaken and associated rationale

None specified as yet

Potential Substitute Audits

None specified as yet