

Standards and Governance Committee

Purpose: Noted

Date: **11 JUNE 2019**



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Title: HFRS REPORT ON MANAGEMENT ACTIONS

Report of the Chief Fire Officer

SUMMARY

1. This report provides the Standards and Governance Committee with an overview of the work we do to oversee the implementation of internal audit recommendations and their respective actions.
2. It provides an update on those actions that have not been completed within their target date and their status. The Standards and Governance Committee has a key scrutiny role in monitoring the implementation of internal actions.
3. This report also provides some initial feedback in respect of several limited assurance audits that are being reported in the separate report on this agenda from the Southern Internal Audit Partnership.

BACKGROUND

4. The internal audit follow-up process is an important element in our overall approach to risk management and governance. When an action is agreed by managers to address a control weakness, or to make an improvement to the way we work, it is important that the action is then implemented as planned.
5. The internal audit service is provided to the Authority by Southern Internal Audit Partnership (SIAP) at Hampshire County Council. There is an Internal Audit Charter that has been in place since 2014. This, and the Internal Audit Plan, are reviewed and updated annually to reflect changing organisational priorities and needs.
6. The Performance Team maintains a record of audits against the current Internal Audit Plan, noting whether they are in progress or have been completed. The respective managers are responsible for the delivery of actions that fall within their areas of responsibility.

7. Once a final audit report has been issued, the agreed management actions are recorded along with:
 - The priority of the recommendation;
 - The target date for implementation;
 - The person responsible for the action.
8. The Performance Team will ask for confirmation and evidence that an action has been implemented, or if not, when it is expected to be. The response is recorded. Any recommendations that continue to remain outstanding are referred to the relevant Director. Our internal Performance and Assurance Board now keeps an overview of outstanding recommendations.
9. Performance of the implementation of audit recommendations has improved. We do however, recognise the need to make further improvements in the speed with which we progress the individual audits at times. We are committed to this and the internal Performance and Assurance Board oversees progress.
10. The table below lists those recommendations that are currently outstanding beyond their agreed target date and of medium (M) or high (H) priority. There is a brief commentary against each to explain the status and any mitigating factors.

| Internal Audit Management Actions | | | |
|--|-------------------------------------|---|--|
| Audit Plan year 2018/19 | | | |
| Safeguarding | | | |
| Update the DBS policy to reflect the appropriate levels of check to be undertaken for each role, and re-checking regime | December 2018 revised to July 2019 | H | The process of completing the spreadsheet to identify what level of check is required for each position number in SAP has been completed and the HCC reporting team are working on getting this uploaded into SAP. Completion of the spreadsheet took longer than expected due to the complexity of the relevant legislation and its application, and because it was necessary to consult a greater number of managers to obtain the necessary detail about some of our roles to assess whether they met the criteria for a DBS check. Once the reporting team have completed the upload, they will be able to compare the information about the position with the level of check of the incumbent. There will then be a further piece |
| Once knowledge gaps are identified, provide HFRS managers with further communications around their responsibilities to include the provision of the updated DBS policy. | December 2018 revised to July 2019 | H | |
| Analyse and interrogate the data used to report on the dates and levels of check recorded against each officer to check for accuracy. | September 2018 revised to July 2019 | H | |
| Following analysis of the data used to report on the dates and level of check recorded against each officer, compile an action plan to ensure where there are any real instances of non-compliance with the HFRS | December 2018 revised to July 2019 | H | |

| | | | |
|---|---|---|--|
| DBS policy, that these are actioned. | | | <p>of work to correct any errors or gaps in SAP and to undertake additional checks as necessary. However, until the above is completed, it is difficult to estimate how long this stage will take to complete.</p> <p>The aim for completion of the above is 31 July, including the launch of the new DBS Service Order and associated communications.</p> |
| IBC/Shared Services - Debt Collection (HFRS/HC/OCC) | | | |
| Bad debt policy - Policy will be updated as part of the London Borough take on. | November 2018 revised to September 2019 | H | Policy under review by senior management team. Revised target date = September 2019 |
| Large Value Debts - policy on chasing debt will be reviewed with Adults. | November 2018 revised to September 2019 | M | Policy under review by senior management team. Revised target date = September 2019 |
| Business Continuity & disaster recovery | | | |
| Identify and document capabilities of UPS and generator at current proposed DR site and implement remedies (Basingstoke). | March 2019 revised to December 2019 | M | Due to delays in the handover process in relation to the new Basingstoke Fire Station, this action has not been able to progress as quickly as anticipated. Resources are working to close this by the end of the calendar year. |
| Document process for activating the UPS and generator at proposed DR site. | March 2019 revised to October 2019 | M | This continues, but was delayed as outlined above. |
| Resource Management | | | |
| Reduction in WDS establishment means use of staff bank will have increased. To support this, current exploring how FireWatch can support this process | April 2019 revised to September 2019 | H | Work in progress, but with the introduction of the new flow chart and process the need for the Ghost station (fire-watch) may negate the need for it. |

INITIAL RESPONSE TO RECENT AUDIT OPINIONS

11. A separate item on this agenda outlines the audit findings on a range of audits that have been completed since the last Standards and Governance Committee. For the majority of these a limited assurance opinion has been given.
12. Members will recall that the pattern of internal audit reviews for last year showed mainly adequate controls in place for those audits covered by the

shared services arrangements and several limited assurance opinions for audits that were 'internal' to HFRS.

13. That pattern has been repeated in 2018/19, which is of course disappointing, but not altogether surprising, since there are several reasons why audits that are internal to the service are likely to have lower levels of assurance:
 - Audit planning within the service mean that audit days are targeted at areas where there are known to be issues or problems (whereas the shared service audit programme is similar in nature each year and is auditing systems and processes that have limited changes year on year).
 - Some areas of review relate to items that had limited assurance opinions last year, in some instances there has not been enough time for management actions to fully bed in.
 - There have been significant changes and pressures within HFRS which have stretched resources, on top of reducing staffing because of the implementation of savings, the service has been concentrating on the HMICFRS inspection, the proposed creation of a new CFA and organisational changes, during the past year.
14. Going forward, greater stability in the structure, together with a clear understanding of where accountabilities lie, will mean that there can be a greater focus on addressing the areas of weakness over the coming year, albeit we will continue to target audit days to areas of known weakness.
15. Whilst greater levels of information on the individual management action plans produced in response to the audits is available, it was felt helpful to provide an initial management response in relation to each limited opinion, as set out below:

Contract Management (Contract Management Audit 2018/19)

Across the Service there are good examples of pro-active contract management, however the Audit highlighted that corporate oversight of contracts has not been fully established. The Service has an existing Contracts Register for all contracts and procurement activity sourced via the Hampshire County Council procurement team but does not have similar visibility of directly awarded contracts. A Strategic Relationships Manager has been recruited and is now in post to lead a new team under the Chief of Staff function which will establish corporate contract and procurement management across the Service. Actions identified within this Audit will form part of a roadmap for this team. The recruitment of the Strategic Relationships Manager took longer than anticipated which has resulted in the completion dates for the Audit actions being revised to December 2019.

IT Business Continuity

Several observations recorded refer to the new DR location at Basingstoke Fire Station. HFRS ICT were aware prior to the Audit that the DR was yet

to be fully implemented at this secondary location. Therefore, the Audit has helpfully prioritised several lines of enquiry required to be undertaken to progress this further. The ICT Team, working with our ISP will have a programme in place to establish the DR by the end of 2019. Delays to date have largely resulted from contractual discussions which have been necessary to ensure the correct specification of the DR bandwidth and operation.

Notwithstanding the above, our main ICT networks are backed up in other ways. Fire Control (our only critical system) would in the event of failure default to Devon & Somerset or Dorset & Wiltshire servers which would mean that even without our own DR in place, the system is resilient. Equally our non-critical systems – such as Office 365 – are now all cloud based and therefore accessible without any servers at all. Impact to our business continuity is therefore limited, however having our own DR established would add additional resilience.

IT Strategy

The findings outline that specific documentation may not be in place, but the organisation can evidence how ICT is aligned to organisational direction. The Head of ICT sits on the Infrastructure & Security Board and is also a member of the Chief Officers Group, therefore ensuring that ICT is aligned to the organisational direction and overall strategic objectives.

The ICT Strategy Audit highlighted that the ICT team do not have a current roadmap outlining their deliverables. Although it is correct that no specific 2019 roadmap exists, the ICT team have several on-going deliverables which are documented in support of the Service Plan 2015-20. The implementation of these deliverables is monitored monthly at the Infrastructure & Security Board and reported to the Executive Group and to Members regularly throughout the year. The Service is currently going through a cycle to establish a new Integrated Risk Management Plan (IRMP) for the 2020-25, once established the ICT team will create a roadmap, reviewed annually, to ensure ICT enables and delivers in support of the new IRMP.

Cyber Security

Significant network improvements in HFRS cyber security infrastructure has been put in place over the last 12 months. The Audit identified that more could be done to raise awareness of cyber security which is a valid observation but is arguably less important than the underlying infrastructure. Additionally, two ICT Administrator accounts were identified as not having had additional security applied. Given that these accounts sit within a Firewall environment, HFRS feel that the risk is low, however the accounts have (since the Audit) been changed to improve their security credentials. The other observations highlighted within the Audit relate to documents and procedures not being up-to-date. These activities were known about before the audit was conducted but with finite resourcing were not prioritised over more risk-critical activities to upgrade and repair servers and the network systems. Whilst on balance, therefore, the limited

opinion is probably correct at the time of audit, we do not feel that it accurately represents the current picture.

Resource Management and Pay Claims

Although these were separate audits they deal with the procedures and processes of staff movements, payments and allowances. Internal audit had been requested to look at these areas following issues that arose in the previous year. The audits were requested to assist HFRS in making changes in these areas, but it should be noted that in virtually all cases payments checked on the system as part of the audits were legitimate and properly authorised. There is now a separate project board in place being chaired by the Chief Financial Officer to address the range of issues that have been identified across the Service and to put in place centralised control through a dedicated Resource Management Team, together with tidying up the documentation, processes and systems that generate pay and allowances payments. It may take some time for all the different elements to have an impact and fundamentally, changes are required to the payroll system to underpin the planned improvements. Irrespective of this, the appropriate senior manager oversight and focus is being applied in this area.

16. What these opinions do indicate is that there does need to be greater management focus applied to these internal control issues, not just in response to internal audit reviews but as part of business as usual as well.
17. Furthermore, with the current meeting cycle there are limited opportunities for reporting to Standards and Governance Committee. The Committee is asked to consider whether four meetings a year may be more appropriate to allow for more frequent reporting of audits and management actions, together with other business that needs to be undertaken in the year. This would follow a proposed timetable as set out below:

| | |
|----------|--|
| July | Fixed date to allow for the reporting and approval of the final accounts and external audit opinion. |
| October | Reporting of external auditor's formal letter. |
| February | Agree audit plan for next financial year. |
| May | Reporting of internal audit opinion. |

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

18. Implementation of internal audit recommendations assists the Authority in the improvement planning process, performance management framework, and in compliance with its governance arrangements. This in turn, assists the Authority in achieving its aim to be the best fire and rescue service in the country.

COLLABORATION

19. The Southern Internal Audit Partnership provide internal audit on behalf of all partners within Shared Services and many other public service organisations.

RESOURCE IMPLICATIONS

20. When agreeing management actions in response to an audit report, the cost of addressing the risk should be considered against the risk materialising. Implementing audit recommendations helps to ensure that the Authority uses its resources efficiently, that key controls are in place and working, and opportunities to achieve value for money are taken.
21. The management of internal audit actions is within current resources.

ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

22. There are no anticipated positive or negative impacts to the environment or sustainability arising from this report.

LEGAL IMPLICATIONS

23. There are no legal implications arising from this report

EQUALITY IMPACT ASSESSMENT

24. The contents of this report are considered compatible with the provisions of equality and human rights legislation.

OPTIONS

25. The options are to note the progress towards completion of the internal audit recommendations or to not note the progress. Noting the progress will ensure that HFRA receive assurance on the Service's performance regarding compliance with control mechanisms to reduce risk and are able to scrutinise the Service on behalf of Hampshire's communities.

RISK ANALYSIS

26. Failure to implement internal audit recommendations leaves the Authority vulnerable to the consequences of the identified risks and weaknesses in control. The process is an important process within the Authority's risk management arrangements. The updates on progress ensure that Members are fully aware of any problems associated with addressing the issues raised and the priority given to driving down or eliminating specific risks.

CONCLUSION

27. Given the number of limited assurance opinions received in 2018/19 it is likely that the Service will receive an overall limited assurance opinion. Management actions will be undertaken in respect of the specific audits themselves and more widely in respect of internal control issues and how they are managed across the Service.

RECOMMENDATIONS

28. That the progress made towards the implementation of the internal audit management actions is noted.
29. That the Committee considers the number and timing of future meetings as outlined in paragraph 17.

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