

## Standards and Governance Committee

Purpose: Noted

Date: **22 October 2019**

Title: **INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT**

Report of Chief Fire Officer



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

### 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 how we are responding through various management 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 commentary on the Health and Safety audit, which recently completed with an adequate assurance opinion. We welcome the Southern Internal Audit Partnership's (SIAP) conclusion that we have a sound framework of internal controls in this area.
4. Hampshire Fire and Rescue Service (HFRS) and SIAP agreed a Memorandum of Understanding (MoU) in August 2019, which outlines internal audit roles, responsibilities and processes. We have also introduced additional liaison meetings to strengthen our relationship with internal audit.

### BACKGROUND

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 to reflect changing organisational priorities and needs.
6. 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.
7. The HFRS Organisational Assurance 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.

8. 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; and
  - the person responsible for the action.
9. The Organisational Assurance team will ask for confirmation and evidence that an action has been implemented, or if not, when it is expected to be. Any recommendations that continue to remain outstanding are referred to the relevant Director. Our internal Performance and Assurance Board also provides an overview of outstanding recommendations, and they are also monitored regularly by the Director of Performance & Assurance and Head of Performance.
10. The implementation of audit recommendations has improved, with 6 high priority management actions being overdue against their original target date; and for those actions, good progress is being made. We do, however, recognise the need to make further improvements in the speed with which we progress certain management actions. We are committed to this and the internal Performance and Assurance Board oversees progress. We have now established clear timeframes and escalation routes, as well as regular meetings with SIAP, in the MoU that was agreed in August 2019.
11. 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.

<b>Internal Audit Management Actions</b>			
<b>Safeguarding</b>			
Update the DBS policy to reflect the appropriate levels of check to be undertaken for each role, and re-checking regime.	July 2019 revised to October 2019	H	Consultation on the DBS Policy concluded by the end of September. Final changes will be made to the policy before it goes to Exec to be signed off on 24 October 2019.
Once knowledge gaps are identified, provide HFRS managers with further communications around their responsibilities to include the provision of the updated DBS policy.	July 2019 revised to December 2019	H	We intend to launch the new DBS Service Order before 31 December 2019 with associated communications to ensure managers are aware of their responsibilities in relation to DBS checks.
Analyse and interrogate the data used to report on the dates and levels of check recorded against each officer to check for accuracy.	July 2019 revised to December 2019	H	We have now received the full DBS compliance report from the HCC Insights Team. The data is now being analysed in order to identify the gaps in DBS data stored on SAP and an action plan will be put in place to rectify these. There is a significant amount of data to work through, the target date for which will
Following analysis of the data used to report on the dates and level of check recorded against each officer, compile	July 2019 revised to March 2020	H	

an action plan to ensure where there are any real instances of non-compliance with the HFRS DBS policy, that these are actioned.			be 31 December 2019. The target dates for missing checks to be requested/SAP updated will be 31 March 2020.
<b>Business Continuity</b>			
Comprehensive review of Resilience Plan testing and exercising to be undertaken and an appropriate schedule commencing January 2017 put in place to meet organisational requirements.	January 2019	M	The testing and exercising of Business Continuity (BC) plans have been clearly laid out in the draft BC Policy Directive that is awaiting sign off through the correct channels.  This has been addressed as part of the proposed BC Policy Directive and will be implemented when the Policy Directive has been signed off.
A robust recording and evaluation process to be put in place for Service Resilience events to support current arrangements and to allow lessons learned to be identified and actioned.	January 2019	M	
<b>Business Continuity &amp; Disaster Recovery (IT)</b>			
Plan and conduct a 'table top' disaster recovery exercise as input to the development of the Disaster Recovery Plan to be developed in Observation 1 above.	May 2019 revised to December 2019	H	This was revised to align with the completion of the remainder of the actions in this audit. These have now been completed. This outstanding action is expected to take place by December 2019.
<b>Proactive Pay Claims</b>			
Allowances handbook is being updated for grey and green book staff.	May 2019 revised to November 2019	M	Due to a broadening of the scope of the Allowances work and the decision to employ the HCC Transformation Practice to complete a high-level mapping exercise of current processes the publication of the new handbook has been delayed. The Transformation Practice report was received in early September and it was agreed that the Allowances Handbook should also incorporate all RDS allowances (it was originally decided to exclude these) as many of the high volume / high risk payments affected RDS staff. Consequently, the date has moved by a further two months to allow for this work to be completed.
The policy regarding "Acting up" is being revised. In future any period of "acting up" longer than 3 months will be treated as a Temporary Promotion and managed accordingly.	June 2019 revised to November 2019	M	

<p>Responsibility for processing and changing allowances (start/stop etc.) is being moved to a newly formed Resource Management Team (RMT). Individual line managers will no longer have responsibility for processing allowances and their IBC access will be removed.</p>	<p>June 2019 revised to April 2020</p>	<p>M</p>	
<p>The RMT will manage the day to day control and operation of the allowances policy and OM moves and report to the Resource Management Group (RMG). Suitable TOR and a resourcing plan is being prepared.</p>	<p>June 2019 revised to April 2020</p>	<p>M</p>	<p>Agreement to fund and form the new RMT has been approved by HFRS Executive Group. RMT will now be recruited into.</p>
<p>Managers will be invited to a briefing session that will explain the new RMT process and their change in responsibilities in respect of allowances. This will include their new budget management responsibilities.</p>	<p>July 2019 revised to April 2020</p>	<p>M</p>	<p>The new RMT will not operate in its new form until both the Allowances Handbook has been completed and the HCC IBC adjust wage types and access to better facilitate control. It is now expected that this new process will be fully embedded from the start of the next financial year 2020/21.</p>
<p>End Dates will be universally applied in all cases. This will be addressed as part of the allowance review work and the RMT will ensure that realistic end dates are applied universally in the future. A monthly report will be produced going forward to permit allowance end dates to be reviewed as they are coming to an end and a 6-monthly report will also be produced and checked by the RMT.</p>	<p>July 2019 revised to April 2020</p>	<p>M</p>	<p>It is recognised that for the RMT to operate efficiently and as intended the IBC need to have better defined wage types that managers may use and also control access. This work will take until April 2020 to complete.</p>
<p>Intention is to either remove the "miscellaneous payment" wage type for HFRS personnel or, as a minimum, limit it substantially to prevent potential misuse.</p>	<p>June 2019 revised to April 2020</p>	<p>M</p>	<p>This exercise will be conducted after the RMT has been set-up and after the new Allowances handbook has been issued. Currently some wage types are used to pay more than one Allowance and as such it is not feasible to expect Firefighters to complete the necessary checks successfully. A separate exercise to review pay statement complexity is about to commence using two Group Manager pay statements over a 12-month period. This will be used to</p>

			inform the “wage type simplification exercise”. This review is likely to commence in January 2020. This will now be picked up as part of the HCC IBC wage type adjustments that will use the Allowances Handbook as the basis for the changes.
The planned one-off exercise requiring all HFRS managers and firefighters to certify that all allowances in payment are correct or flag up those that they believe may be incorrect for appropriate corrective action should provide an accurate “baseline” Subsequently a routine “sampling” of Firefighter records will occur on a monthly basis together with budget monitoring and other random checks. It is believed that this combined process will ensure payments are accurate and made against the correct wage type.	June 2019 revised to March 2020 to achieve baseline	M	The accurate “baseline” needs to be achieved by 1 April 2020. Suitable guidance and processing will be established after this date.

#### MANAGEMENT COMMENTARY

12. **Safeguarding:** the piece of work to ensure all SAP position numbers have the correct level of Disclosure and Barring Service (DBS) check assigned to them had been delayed due to capacity issues in the IBC. However, the full report has now been received from the IBC and this is being analysed.

The DBS service order has been re-written and is going to Executive Group for approval on 24 October 2019.

13. **Business Continuity & Disaster Recovery (IT):** all the actions from this audit are now nearing completion with much work having already been complete. Improvements to the back-up generators at our disaster recovery site have strengthened our resilience greatly. The final work to configure and implement new core switches will be swiftly followed by a business impact assessment and subsequent table top exercise to test whether our improvements have had the desired effect.

#### RESPONSE TO RECENT AUDIT OPINIONS

14. A separate item on this agenda outlines the findings on audits that have been completed since the last Standards and Governance Committee meeting. Since the last report, only one audit opinion was completed for 2019/20, on Health and Safety, which received an adequate assurance opinion.

15. We welcome the conclusion in this report that we have a sound framework of internal controls in this area; and, more specifically, the positive findings relating to policy, governance, reporting and other areas. The Health & Safety Annual Report was presented at the Hampshire Fire and Rescue Authority on the 25 September, which provides further information in this area.

#### SUPPORTING OUR SERVICE PLAN AND PRIORITIES

16. By ensuring the implementation of internal audit recommendations, we assist the Authority in improving its planning and performance management processes, and in complying 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

17. The Southern Internal Audit Partnership provides internal audit on behalf of all partners within Shared Services and many other public service organisations.
18. The recently agreed MoU outlines how HFRS and SIAP will work together effectively.

#### RESOURCE IMPLICATIONS

19. 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.
20. The management of internal audit actions is within current resources.

#### ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

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

#### LEGAL IMPLICATIONS

22. There are no legal implications arising from this report

#### EQUALITY IMPACT ASSESSMENT

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

#### RISK ANALYSIS

24. 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

25. Significant progress continues to be made to complete the management actions from previous audits. 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.
26. The adequate opinion received for the Health and Safety audit is positive in the context of last year's limited assurance rating.

## RECOMMENDATION

27. That the significant progress made towards the implementation of the internal audit management actions is noted by the Standards and Governance Committee.

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