



INTERNAL AUDIT SERVICE

**Annual Internal Audit Report for:
AVON FIRE AND RESCUE SERVICE
2017/18**



Internal Audit

Avon Fire and Rescue Service Annual Report 2017/18

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1. INTRODUCTION

- 1.1 Bristol City Council (BCC) Internal Audit Service was commissioned, as part of the financial services agreement with the City Council, to act as AFRS's internal auditors during the 2017/18 financial year. The contract for BCC to provide internal audit services to AFRS has now ended, although it is understood that BCC Internal Audit will continue to be contracted to provide services with regard to the National Fraud Initiative.
- 1.2 In accordance with the *Public Sector Internal Audit Standards (PSIAS)*, Internal Audit has independently reviewed AFRS's operations, resources, services and processes in place to:
- Establish and monitor achievement of objectives
 - Identify, assess and manage the risks to achieving those objectives
 - Facilitate policy and decision making
 - Ensure the economical, effective and efficient use of resources
 - Ensure compliance with established policies, procedures, laws and regulations
 - Safeguard assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption
 - Ensure the integrity and reliability of information, accounts and data including internal and external reporting.
- 1.3 A risk based approach to planning audit work was undertaken and an internal audit plan for 2017/18 was determined and agreed by the Audit, Governance and Ethics Committee. The resources available in the agreed plan for 2017/18 amounted to a total of 63 days, including 13 days carried forward from the previous year.

2. PURPOSE OF THIS ANNUAL REPORT

- 2.1 Internal Audit is required to provide an annual report to the Fire Authority to support the Annual Governance Statement (AGS). A draft of the AGS was presented at the Audit Governance and Ethics Committee 13th March 2018 and this annual report has been shared with AFRS staff so it can be reflected in the updated AGS.
- 2.2 The annual report should include a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme; this is provided at Section 6 below.
- 2.3 This report will be considered at the meeting of the Audit, Governance and Ethics Committee on 25th May 2018.
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3. AUDIT OPINION ON GOVERNANCE, RISK AND CONTROL FRAMEWORK

- 3.1 Internal Audit has formed the opinion that, based on the areas reviewed during the 2017/18 financial year, there is an 'acceptable' level of control, providing reasonable assurance.
- 3.2 AFRS have made partial progress with the implementation of Internal Audit recommendations made prior to 2017/18, particularly within the area of procurement. Internal Audit acknowledge this is due to difficulties with staffing within AFRS.

4. SUMMARY OF AUDIT WORK

- 4.1 Outside of the standard items (National Fraud Initiative, follow-up and contract management), eight audit reviews were undertaken during the 2017/18 financial year. Appendix 1 provides details of the status of those reviews, but in summary the outcomes for the audits that took place in 2017/18 is provided below:
- Capital Accounting (started during 2016/17) – 'acceptable' control, providing reasonable assurance
 - Lansdown Transaction Testing – 'partial' control providing limited assurance
 - Fleet Management – 'acceptable' control providing reasonable assurance
 - Nova Way – 'partial' control providing limited assurance
 - FireWatch Data Security – 'good' control providing reasonable assurance
 - Risk Management – 'acceptable' control providing reasonable assurance
 - Retained Firefighters – 'acceptable' control providing reasonable assurance
 - Investing for the Future - 'acceptable' control providing reasonable assurance.

Definitions of standard Internal Audit opinions are provided at Appendix 2.

- 4.2 A review of Internal Audit recommendations outstanding from years prior to 2017/18 has been undertaken. As stated above partial progress has been made in implementation. Of the nine 'High' and 'Medium' recommendations outstanding; two had been implemented and seven were partially implemented/in progress. A summary of the implementation status is provided at Appendix 3.
- 4.3 In all of the reviews, areas were identified where internal control can be further developed and these are summarised in Section 7 below. Appropriate recommendations have been made and agreed with management that will contribute to the improvement of internal control.
- 4.4 As the contract has ended BCC Internal Audit will not conduct further follow up of internal audit work. It will be for AFRS's new Internal Auditor, together with AFRS, to determine the extent of follow up required.



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5. SCOPE OF WORK COMPLETED

- 5.1 Appendix 1 summarises the achieved coverage against that planned for 2017/18 and incorporates details of the Internal Audit opinion on controls in each area examined.
- 5.2 Reports have been issued for each completed review.
- 5.3 AFRS has used BCC's financial systems in respect of Accounting Systems, Debtors, Creditors, Payroll and Treasury Management. These systems have not been audited as part of the AFRS's Internal Audit Plan. Instead, they have been audited annually by Internal Audit as part of the key control framework for BCC. AFRS transactions have been included in samples tested and where issues of control identified with the City Council's systems, these have been raised with the system owner at the City Council for rectification. If issues have been identified with AFRS's use of the system, then AFRS and the system owner have been informed.
- 5.4 AFRS has renewed its contract to use BCC's financial systems. It will be for AFRS's new Internal Auditor, together with AFRS, to determine how they will gain assurance over the financial systems provided BCC in 2018/19 and beyond.

6. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 6.1 BCC Internal Audit completed an annual self-assessment of its compliance with the requirements of the PSIAS and CIPFA's *Local Government Application Note*. The purpose of the self-assessment was to provide assurance to the Audit, Governance and Ethics Committee and management that Internal Audit is compliant with the PSIAS and that consequently they can rely on the work of Internal Audit. Overall, the self-assessment concluded that BCC Internal Audit is compliant with the PSIAS requirements.
- 6.2 An external peer review of BCC Internal Audit was undertaken during 2017/18. The Peer Review concluded that "BCC's Internal Audit Service 'Generally Conforms' with the requirements of the Public Sector Internal Audit Standards."
- 6.3 External Audit has not advised Internal Audit of any concerns regarding the approach to, or content of, its work.



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7. SUMMARY OF REVIEW OUTCOMES FOR 2017/18

- 7.1 Two areas reviewed were considered to have 'partial' controls, providing limited assurance, all other areas subject to audit review, were considered to have 'acceptable' or 'good' controls, providing reasonable assurance. The following paragraphs give a brief summary of the outcomes from each review.

Capital Accounting

- 7.2 The review considered Capital accounting policies and procedures, an overview of fixed asset registers and an overview of the monitoring of the Capital programme. Internal Audit concluded acceptable control and reasonable assurance.
- 7.3 The Capital programme was aligned to the Fire Service's key strategic plans and the programme was approved with due consideration to affordability, efficiency and sustainability. However, the programme approved for each financial year included total budgets allocated for approved capital schemes, rather than the estimated capital spend expected to be actually incurred during each financial year.
- 7.4 This approach meant that there was inevitably slippage, which in 2016/17 was 35% and 2015/16 25%. The approach to budgeting and the reasons for overall slippage were not set out in budget and outturn reports. There is no evidence that the overall slippage was challenged.

Lansdown Transaction Testing

- 7.5 The review was commissioned following concerns raised in the previous Internal Audit Report on Small Value Purchasing. Internal Audit undertook detailed testing of transactions processed from the Lansdown Road South West Command Development Centre.
- 7.6 The testing aimed to confirm the regularity of transactions and considered compliance with formal processes to procure goods and services, raising of requisitions, orders, and processing of payments for invoices.
- 7.7 Internal Audit concluded partial control and limited assurance. While the nature of the transactions was reasonable and relevant in the usual course of Fire Service business, an error rate in excess of 10% was identified in the operation of controls over processing invoices.

Fleet Management

- 7.8 The review considered appliance fleet management, including, procurement, management and strategic alignment, management of vehicle maintenance and inspection and disposals for the last five years (including ancillary vehicles).



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- 7.9 Internal Audit concluded acceptable control and reasonable assurance. Specialist work given to another organisation had not been put out to tender. In addition, forms sighted during the course of the review recording details of tenders received for the sale of vehicles were unsigned.

Nova Way

- 7.10 The review considered fuel purchase throughout the service and essential fluids (oil and antifreeze) and parts at the technical centre, Nova Way. Internal Audit concluded partial control and limited assurance.
- 7.11 The Fire Service entered into a contract in May 2017 to provide a stores service for the workshop at Nova Way. There were significant issues with this contact which remained unsigned. Parts had not been available when needed which could have affected the effective delivery of services, particularly the availability of appliances.

FireWatch Data Security

- 7.12 The review considered data security issues of FireWatch under the influence of AFRS (policies, access, staff training on use of the system). Internal Audit concluded good control and reasonable assurance.
- 7.13 Although strong passwords were required to access FireWatch, forced password change was inconsistent with the IT Security Policy.

Risk Management

- 7.14 The review looked 'top down' at the adequacy of the risk management policy and its application. Internal Audit concluded acceptable control and reasonable assurance.
- 7.15 A Risk Register was in place and reviewed by the Senior Management Team each month. The Corporate Risk Management Strategy was in draft form, so adherence was not fully tested. Internal Audit identified that some current procedures differed significantly, from those in the draft Strategy, which was likely to lead to changes in AFRS's risk profile.

Payments to Retained Firefighters

- 7.16 This review looked at control of attendance payments and turnout fees paid to Retained Firefighters. Internal Audit concluded acceptable controls and reasonable assurance.
- 7.17 Checks at stations were undertaken by Finance on a pre-determined basis so that station staff were aware of when checks were to be undertaken.



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Investing for the Future

- 7.18 This review considered Stage 1 of the 'Investing for the Future' programme and whether what was provided in terms of costings and predicted savings, matched the outturn. BCC Internal Audit concluded acceptable controls and reasonable assurance.
- 7.19 Evidence indicated that projects had not been fully costed at the outset. A detailed benefit realisation review had not been undertaken although it was evident that the programme had resulted in efficiencies.

National Fraud Initiative

- 7.20 The National Fraud Initiative is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This work is a biannual exercise.
- 7.21 The output data from the 2016/17 exercise was received from the Cabinet Office in January 2017. With regard to the AFRS, there were 281 matches split into the following categories:
- 27 matches – AFRS Payroll to another Payroll
 - 253 matches – duplicate creditors or duplicate payments
 - 1 match – VAT overpaid.
- 7.22 Matches were investigated by AFRS during 2017/18 and all have been satisfactorily cleared, with no further action required.

8. FUTURE PROVISION OF INTERNAL AUDIT SERVICE

- 8.1 The contract for BCC Internal Audit to provide an internal audit service to AFRS has now ended, although AFRS have indicated that they wish BCC to continue to provide support for the National Fraud Initiative. BCC Internal Audit have been pleased to provide an internal audit service to AFRS since 2003 and wish to thank AFRS staff for the courtesy and assistance provided.
- 8.2 BCC Internal Audit understand that RSM will provide an internal audit service to AFRS for 2018/19 and beyond. BCC Internal Audit will, if so requested, meet with RSM to enable a smooth transition of service and discuss how RSM may gain assurance over the financial systems provided by BCC in 2018/19 and beyond.



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APPENDIX 1

BCC Internal Audit Coverage 2017/18

Planned Review Area	Planned Days	Actual Days	Status	Audit Opinion/ Comments
Capital Strategy and Accounting (started 2016/17)	-	1	Complete	Acceptable Control
Lansdown Transaction Testing (from contingency)	5	5	Complete	Partial Control
Fleet Management	5	6	Complete	Acceptable Control As requested a large number of disposals was examined
Nova Way	10	10	Complete	Partial Control
FireWatch	5	5	Complete	Good Control
Risk Management	5	5	Complete	Acceptable Control
Payments to Retained Firefighters	7	7	Complete	Acceptable Control
Investing for the Future	6	7	Report in Draft Form	More work required than originally planned, scope of audit altered from that originally in plan
Insurance Claim	6	1	Deferred	Work requested by the AFRS, then deferred at their request.
Standard Items				
National Fraud Initiative	6	6		
Follow Up of Previous Recommendations	2	2		
Management	4	8		Additional liaison meetings at AFRS request
Contingency	2	-		
Total	63	63		
Contract Days (including slippage from 2016/17)		63		



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APPENDIX 2

Definition of BCC Internal Audit Standard Opinions

BCC Internal Audit provide standard opinions with each audit report within the range of 'Good Control' to 'No Control' as follows:

Good Control	There is a good system of governance and internal control to assist achievement of the identified objectives and manage the associated risks. Only minor weaknesses were identified and management can have reasonable assurance that areas covered by the review are effectively managed and controlled.
Acceptable Control	Overall the system of internal control and governance is satisfactory and management can have reasonable assurance that many areas covered by the review are effectively managed and controlled. There are however weaknesses which put some of the identified objectives at risk.
Partial Control	Missing or failing controls were identified which have a substantial impact on the extent to which management can rely on the systems of internal control and governance. Only limited assurance can be given that the risk areas covered by this review are effectively managed and controlled.
No Control	Internal control and governance is weak and management can place no reliance on it. This leaves the system open to significant risk, error or abuse. No assurance can be given that the risk areas covered by this review are properly managed and controlled.



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APPENDIX 3

Recommendation Follow up Summary 2017/18

Implementation of 2016/17 recommendations and recommendations outstanding from previous years that were 'High' or 'Medium' priority is shown below.

Audit Year	No. of Recs. Followed Up	Implementation		
		Complete	Partial/in progress	No Longer Relevant
2013/14	1	-	1	-
2015/16	5	1	4	-
2016/17	3	1	2	-
Total	9	2	7	-
Year/Audit	Summary by Year/Audit			
2013/14 Emergency Planning	1	-	1	-
2015/16 Equalities and Diversity	1	-	1	-
2015/16 Procurement Fraud	3	-	3	-
2015/16 Service Planning	1	1	-	-
2016/17 Prioritisation and Allocation of Training	1	1	-	-
2016/17 Budgetary Control	2	-	2	-
Total	9	2	7	-