

Internal Audit Progress Report

Audit Committee (December 2024)

North Wales Fire and Rescue Service

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Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Executive Summary

This report provides an update to the Audit Committee in respect of the progress made in against the Internal Audit Plan for 2024/25 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are included within the Audit Committee papers. In addition, a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period 1st September 2024 to 30th November 2024.

3 Executive Summary

2024/25 Audit Reviews

The following reviews have been finalised:

- Key Financial Transactional Processing Controls (Substantial Assurance)

Overall, there was a good system of internal control in place designed to meet the system objectives, however some areas for improvement have been identified. There was comprehensive evidence that financial controls were operating robustly within the organisation, and areas of good practice were found in most cases of our sample testing and documentation review.

- Training Strategy Implementation Plan (Substantial Assurance)

Whilst the review identified a number of areas of good practice, there were also opportunities to strengthen controls in a number of key areas including enhancement of the performance reporting arrangements, update of the Operations and Control Training Strategy, review of the current Training Needs Analysis and review reporting arrangements to the Fire Authority.

Refer to Appendix C for details of Key Areas and Actions to be Delivered

The following reviews are in progress:

- Attendance at Budget Scrutiny meetings (when required)

Follow Up

Our follow up work is in progress.

Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process. There are no current proposals to amend the approved audit plan.

Public Sector Internal Audit Standards

In January the Institute of Internal Auditors issued revised Global Internal Audit Standards (GIAS).

The Relevant Internal Audit Standard Setters (RIASS) for the UK Public Sector have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have issued a consultation on applying GIAs in the UK public sector which is now live and available on the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) website [Consultation on Internal Audit Standards in the UK Public Sector | CIPFA \(iasab.org\)](https://www.iasab.org/consultation). Closing date of 31st October.

MIAA are represented on the IASAB and have directly contributed to the consultation documentation.

The implementation date for the new standards in the UK public sector will be 1st April 2025. Until then, the existing Public Sector Internal Audit Standards will continue to apply.

When the IASAB issues finalised material for application in the UK public sector MIAA will review this and amend our processes if required to continue to ensure full compliance with standards.

The latest updates from the IASAB can be accessed via the following link: <https://www.iasab.org/latest-news>

Added Value

Events




- [Social Value Masterclass \(5th February 2025\): How embedding a culture and practice of social value can benefit your organisation and community:](#) Raise awareness of social value and anchor institutions, the value they can bring to your organisation and ways to develop a culture of social value. Delegates will have an understanding of what social value is and practical applications to embed a social value mindset across their organisations. We will share practical examples for leaders to take away and implement including measuring social value impact across organisations and making social value meaningful and value led.

Events are free to all clients and bookings can be made by clicking on the above link or via our website www.miaa.nhs.uk and click on Events.

Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

The table summarises the delivery of your Head of Internal Audit Opinion for 2024/25:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Risk Management		Q4 delivery		March 2025
Training Strategy Implementation Plan		Completed	Substantial	December 2024
Key Financial Transactional Processing Controls		Completed	Substantial	December 2024
Procurement		Completed	Substantial	September 2024
Attendance at Budget Scrutiny meetings	N/A	As required		N/A
Follow Up				
Q1	N/A	Completed	N/A	June 2024
Q4	N/A	In progress		June 2025

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	No issues to report
Issue a Client Satisfaction Questionnaire following completion of every audit.	Every Final report includes a questionnaire for client feedback	Green	
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	
Percentage of recommendations which are implemented	Follow Up will be reported twice per year	Green	
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	Key Financial Transactional Processing Controls			
Executive Sponsor	Assistant Chief Fire Officer			
Objective	<p>To provide assurance that the most significant key controls in the areas below, had been appropriately designed and operating effectively in practice.</p> <ul style="list-style-type: none"> • General Ledger • Accounts Payable • Accounts Receivable • Treasury Management 			
Recommendations	0 x Critical	0 x High	3 x Medium	3 x Low
Summary	<p><u>General Ledger</u></p> <ul style="list-style-type: none"> • Testing highlighted bank account reconciliations have been completed on a monthly basis and completion had been recorded on a monthly report, which reconciled the trial balance against the bank statement balance. • Testing of a sample of 20 journals found that adequate segregation of duties had been maintained within the TechOne system (between the preparer and approver). • The 2024/25 budget was presented and approved by the Fire Authority in January 2024. This detailed the budgeted figures for the 2024/25 financial year. The financial planning assessment for 2025/26 was initially presented to the Fire Authority in October 2024. We agreed the figures per the annual budget to the Fire Authority Financial Update paper that was reported in October 2024. <p><u>Accounts Payable</u></p>			

- Standing Financial Regulations (SFRs) were in place (which were in date - due for review in March 2025) and set out roles and responsibilities supported by an employee hierarchy maintained within the TechOne system.
- Audit testing of a sample of 20 delegated limits set up in the TechOne system confirmed that they had been set up correctly in line with the SFRs.
- MIAA testing of a sample of 10 payments made with an approved purchase order, found adequate segregation of duties and approval was enforced within the TechOne system. 10 payments which had been made without a purchase order were found to have been appropriately approved in line with the financial limits set.

Accounts Receivable

- Audit review of the 3 credit notes raised since April 2024 identified valid justification had been provided for the cancellation of the debt, with appropriate authorisation evidenced.
- The Service had an up to date aged debt policy in place. A review of the most recent aged debt analysis report identified that there were no long outstanding or high value debts recorded.
- For a sample of aged debts we found that evidence had been retained to confirm that the debt has been adequately followed up and chased in line with policy.
- It was confirmed there have been no debt write offs in year. Write offs are reported annually to the Fire Rescue Authority (FRA).

Treasury Management

- BACS payments runs have been processed weekly and were subject to approval by the Deputy Head of Finance and Procurement and the Head of Finance and Procurement.
- We confirmed that adequate segregation of duties has been enforced when accessing the Barclays online portal to process payment runs.
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Key Areas Agreed for Action

Accounts Payable - At the time of the review, it was noted that the Service was in the process of drafting a guidance document for the completion of verification checks. This should include procedure notes for the setup of new suppliers and amendment to current supplier bank details. In addition, audit testing of a sample of 10 supplier bank amendments found that in one case, evidence had not been retained to evidence the supplier verification check undertaken. In addition, segregation of duties was not enforced as part of the verification process. **(Medium Risk)**

Treasury Management – Our review of the Fire Service Bank mandate identified that it requires updating to reflect current roles and recent changes in staff. **(Medium Risk)**

General Ledger – During our review it was identified that the Scheme of Financial Delegation (SoFD) requires review and update. **(Medium Risk)**

Accounts Payable - Testing of a sample of purchase orders identified that in 2 cases the purchase order had been raised after the invoice had been received. **(Low Risk)**

Accounts Receivable - Our testing of debtor invoices highlighted that in 2 cases, insufficient evidence had been retained to support the debt (in terms of a valid Purchase Order or supporting backing documentation). **(Low Risk)**

General Ledger – The current arrangements in place in relation to financial reporting and reconciliations of Accounts Payable and Accounts Receivable ledgers should be reflected in a Standing Operating Procedure (SOP). **(Low Risk)**

Report Title	Training Strategy Implementation Plan			
Executive Sponsor	Assistant Chief Fire Officer			
Objective	To evaluate the effectiveness of the Operational Training Strategy and evaluate the extent to which the implementation plan had been followed.			
Recommendations	0 x Critical	0 x High	4 x Medium	0 x Low
Summary	<ul style="list-style-type: none"> • Our review found that there was an Operational Training Delivery Plan in place for 2024/25. The training plan detailed the training courses planned to be undertaken during the year, along with the proposed delivery dates. • Audit review of the Operational Training Delivery Plan confirmed that training had been scheduled for all core skills outlined in the Operations and Control Training Strategy. • The Service presented the current programme of operational training to the Senior Leadership Team (SLT) in October 2022 and this included confirmation of compliance with the competency-based framework developed by the Chief Fire Officers Association (CFOA) and the National Operational Guidance Training Specifications. • MIAA review of the current Operational Training Delivery Plan for 2024/25 (which was amended in June 2024 for revised course dates) highlighted that the plan had been supported by a structured competence framework for incident command training. This was based on an informed assessment of the learning needs of all operational staff at each stage of their career path and included training requirements (including refresher training). • The Operational Training Delivery Plan included the arrangements in place for performance monitoring. This included a number of Key Performance Indicators (KPIs) to evidence whether (or not) the department is on target to deliver its objectives per the training and development departmental plan. Examples of KPIs included Breathing Apparatus Refresher (BAR) - target of 50% 			

of staff per training year; and Compartment Fire Behaviour Training (CFBT) – target of 50% of staff per training year.

- MIAA review found the Operational Training Delivery Plan included details of activities the Training and Development Department planned to deliver including risk critical initial and refresher training. Planned courses included over 30 courses, all of which included key implementation milestones.
- Our review confirmed the KPIs have been reported into the quarterly training managers' group meeting and subsequently to the Senior Leadership Team (SLT). The number of eligible staff that can attend each year has been monitored on a quarterly basis for each training year.
- MIAA review of the Quarter 4 2023/24 Operational Training Department performance report highlighted adequate monitoring of training delivery with a dashboard detailing the courses attended and performance measured against the KPIs. The report highlighted end of year actual performance versus target performance for all courses and made use of the RAG rating system to present performance data.
- MIAA desktop review identified that individuals were required to maintain up to date records of training activities undertaken, as required in their development to competent program. Line Managers were also required to monitor progress of individuals training. This process was overseen by the Training Delivery Manager who monitors attendance requirements.
- A review of recent SLT meeting minutes identified examples where sanctions have been enforced and appropriate actions taken as a result of individuals failing to comply with training requirements and overdue training.
- It was noted that a quarterly report is collated and presented to the Service Operations and Control Managers Meeting prior to reporting to the Organisational Learning Committee (OLC) and SLT. Trends are also taken to the All-Wales Training and Control Managers meeting which provides the organisation an opportunity to discuss national and regional influences.
- MIAA confirmed the Service is part of an all Wales Training Group network, members of which meet quarterly. Review of the most recent (September 2024) meeting papers and minutes highlighted areas covered include collaboration for training delivery (primarily to reduce cost of delivery).

Key Areas Agreed for Action

MIAA review of the Operational and Command Training performance report found that whilst actual performance vs target performance had been reported in relation to courses, this was not always supported by actions taken where target performance had not been met. Whilst a review of recent SLT meeting minutes identified examples of sanctions have been enforced where individuals have failed to comply with training requirements, the performance report should fully reflect the actions taken to address overdue training.

The performance report should also be enhanced to include:

- Target rates for compliance against operational training requirements as a whole rather than at a course level;
- Compliance rates against the above (actual training rates);
- Details of compliance rates where training has expired or passed review dates for refresher training; and,
- Reported by Service as a whole and by staff group/Service area station. **(Medium Risk)**

The Operations and Control Training Strategy was last reviewed in April 2023. The strategy should be reviewed to ensure compliance with any changes to relevant NWFRS policies, legislative requirements and best practice, and to ensure alignment to the Community Risk Management Implementation Plan 2024/25. **(Medium Risk)**

MIAA review highlighted that the Operations and Control Training Strategy had been supported by an Operational Training Delivery Plan 2024/25 which detailed year two of the three-year training cycle. Our review noted that this training cycle was as a result of the Training Needs Analysis (TNA) which was approved by SLT in November 2022. The TNA should be reviewed and updated. **(Medium Risk)**

A review of recent Fire Authority papers noted that progress against the Operational Training Delivery Plan has not been reported. **(Medium Risk)**

Appendix D: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

Anne-marie Harrop

Regional Assurance Director

Tel: 07920 150313

Email: Anne-marie.harrop@miaa.nhs.uk

Angharad Ellis

Deputy Regional Assurance Director

Tel: 07469 378328

Email: Ann.ellis@miaa.nhs.uk