

GFRS Internal Audit Follow Up – Final Progress Report

January 2022



Distribution

To: Gloucestershire County Council Audit and Governance Committee
Chief Fire Officer

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Important

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1. Introduction

On 15th June 2018 a letter of complaint was sent by email to the Leader of the Council. There were three strands to the complaint. One concerned the sale of a Gloucestershire Fire and Rescue Service (GFRS) owned vehicle and the Chief Fire Officer (CFO) in post at June 2018's involvement in the process (it is noted that post turnover has subsequently occurred). The other two concerns were regarding staffing issues. It was agreed that Internal Audit would investigate the sale of the vehicle and Human Resources (HR) would review the remaining two concerns.

Shortly after commencing the investigation, numerous whistleblowing allegations and Freedom of Information Requests (FOIs) in respect of other concerns relating to GFRS governance arrangements, procedures, systems and processes were received. As a result, following review, research, analysis and interviews with key stakeholders including relevant GFRS Officers, Internal Audit co-ordinated the findings and made a number of GFRS-specific and council-wide (cross-cutting) recommendations to undertake detailed reviews and audits within each area to determine the level of risk. These reviews and audits were outlined in the Action Plan presented to the Audit and Governance Committee on 12th October 2018 and the last of the audit outcomes being presented on 11th October 2019.

Each published Internal Audit report contained an action plan detailing audit recommendations, agreed by management, for implementation. A total of 18 audits were undertaken which generated 118 individual audit recommendations (High Priority and Medium Priority). Eleven of the audits were given Limited Assurance opinions either for risk management, the control environment or both.

A summary of the 18 audits are included at **Appendix 1**. Definitions for Internal Audit assurance opinions and recommendation priorities are detailed at **Appendix 2**.

2. GFRS Improvement Board

Following discussions between the CFO, Assistant Chief Fire Officer (ACFO) and Gloucestershire County Council (GCC) Human Resources (HR) at the beginning of August 2019 the GFRS Improvement Board was established.

The remit of the Board included the GFRS Internal Audit Action Plan outcomes and actions required from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection 2019/20. In addition, the Board's goal was to consider the wider picture of collective improvement for GFRS.

The main purpose, role and expectation of the Board as per the Board terms of reference was to:

- i. Maintain oversight to ensure that all the required improvements and quality assurances are achieved by Area Leads in a timely manner;
- ii. Add weight and rigour towards achieving the required outcomes;
- iii. Take an overview of Area Leads' actions (highlights and exceptions) and to address the findings;

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- iv. Support Area Leads by removing barriers where progress is hampered by elements outside of their control;
 - v. Review the evidence, by way of Ratification Reports and supporting information supplied by Area Leads, which demonstrates that improvements are embedded through the implementation of robust systems, processes, policies and procedures. This will all be reported and monitored through the development of a tracker system that both GFRS and GCC staff (including Internal Audit) will have access to; and
 - vi. Be answerable to and to report progress or otherwise to, the following committees for consideration, Scrutiny and ultimately, for final ratification: Gloucestershire Fire and Rescue Service Senior Leadership Team; and Audit and Governance Committee.

The GFRS Improvement Board membership was as follows:

- i. Cabinet Member for Public Protection, Parking and Libraries;
- ii. Chief Fire Officer (Chair);
- iii. Commissioning Director (GCC);
- iv. Assistant Chief Fire Officers;
- v. Head of Planning, Performance and Improvement (GCC);
- vi. GFRS Performance and Communications Manager;
- vii. Interim Area Manager;
- viii. Project Manager (GCC Planning, Performance and Improvement);
- ix. GFRS Planning, Strategy and Performance Team members; and
- x. Additional attendees as called to the meetings (including Internal Audit, HMICFRS and wider GFRS representation).

GFRS Improvement Board meetings were completed monthly between September 2019 and May 2021. The GFRS Improvement Board activity concluded in May 2021, following Board confirmation that all ARA audit recommendations had been actioned and/or were being appropriately progressed.

The future route for improvement plan and audit findings is currently in discussion between the GFRS Board membership contacts, with the GFRS Project Management Office (PMO) being considered as a potential option.

3. Audit Scope

ARA GFRS Action Plan follow up activity captures actions against Internal Audit recommendations only. HMICFRS recommendation review is excluded from the ARA work and will be monitored by GFRS with oversight from HMICFRS.

The Internal Audit follow-up activity will review all High Priority recommendations from non-limited assurance reports and all High Priority and Medium Priority recommendations from limited assurance reports to ensure timely implementation of the agreed recommendations.

The audit follow-up approach has been agreed with GFRS to provide the necessary assurances to the GFRS Improvement Board, Gloucestershire County Council's Head of ARA and the Audit and Governance Committee. This includes:

- i. To enable efficiency and avoid duplication, ARA will place reliance, where possible, on the GFRS tracker system that is being used by the GFRS Improvement Board to monitor the implementation of the Internal Audit and HMICFRS recommendations;
- ii. ARA will attend relevant GFRS Improvement Board meetings where progress updates in terms of implementation of recommendations will be presented by GFRS Area Leads. Following additional audit testing and review of evidence, ARA will update the GFRS tracker system within the agreed areas until such time as all the recommendations have been verified as implemented; and
- iii. If new recommendations are made as part of the follow-up activity, these will be added to the tracker system in consultation with GFRS senior management and the same process will be applied to follow up the implementation of those recommendations.

To ensure consistency and management of expectations, ARA has ensured that the original GFRS Action Plan lead Auditors have been allocated to deliver the Internal Audit follow up activity.

The CFO and the Head of ARA agreed for progress updates to be presented to the Audit and Governance Committee twice a year (as a minimum) until all actions are confirmed by GFRS Improvement Board as implemented and the position has been appropriately verified (through review and testing) by Internal Audit.

This is the fifth and final GFRS Internal Audit Follow Up Progress Report to Audit and Governance Committee.

The first report was presented to Audit and Governance Committee on 30th October 2020 (October 2020 position); the second on 22nd January 2021 (December 2020 position); the third on 25th March 2021 (February 2021 position); and the fourth on 30th July 2021 (June 2021 position).

4. Key Findings as at January 2022

Follow up process development

The ARA team have worked directly with the GFRS Performance and Improvement Manager and GFRS Planning, Strategy and Performance Team from quarter 4 2019/20 to ensure an appropriate process with accessible audit trail to enable Internal Audit follow up delivery.

The GFRS audit trail is accessed via Microsoft Teams. This includes Board papers, the GFRS recommendation tracker and ratification reports with supporting documentation as per Internal Audit recommendation.

The Board was attended by ARA initially in May 2020, to enable understanding of the agenda content and approach.

From June 2020 up to May 2021, ARA attended Board meetings on a monthly basis and were able to engage in discussions, challenge as appropriate and raise relevant queries. Internal Audit follow up activity on an individual recommendation basis commenced from June 2020.

Each Board meeting attended by ARA was chaired by the CFO and followed a set agenda including updates from GFRS Area Leads regards specific audit recommendations. It was evident through the meetings that Board members actively challenged the position on each presented recommendation, to ensure assurance provided by the GFRS Area Lead was appropriately evidenced to enable Board formal sign off.

GFRS Improvement Board Recommendations Position Statement

As at the final GFRS Improvement Board meeting in May 2021, the Board signed off all (100%) of the 124 actions (from 118 audit recommendations) total as implemented and/or as being progressed through an appropriate route. Further update was then provided directly by the CFO up to January 2022.

The position is detailed in the below table:

	GFRS Improvement Board / CFO confirmed position as at January 2022
Total audit recommendations / actions	118 audit recommendations. Six recommendations were split out by GFRS into an interim action and a medium term action, totalling 124 actions within the GFRS Improvement Board tracker. The six split recommendations were relevant to budget monitoring, budget setting, income and cash handling, disposals and procurement cards.
Actions confirmed as implemented by the Board / CFO	123

	GFRS Improvement Board / CFO confirmed position as at January 2022
Actions in progress with the PMO	Not applicable
Actions in progress and being delivered with/by the wider organisation (GCC)	One - GFRS Procurement recommendation 4

Internal Audit's Recommendations Position Statement

As at 5th January 2022, Internal Audit can confirm that in total:

- i. The 123 actions signed off by Board or the CFO as implemented are relevant to 117 (99%) Internal Audit recommendations out of the 118 recommendation total.
- ii. 12 (10%) recommendations do not require Internal Audit follow up due to being Medium Priority recommendations from non Limited assurance opinion GFRS Action Plan internal audit reports. This includes all recommendations relevant to the GFRS Capital Programme internal audit.
- iii. 91 (77%) recommendations (previously 57 recommendations as at June 2021) have been verified by Internal Audit as implemented, with no further action required by GFRS Improvement Board. This includes all recommendations relevant to the following GFRS internal audits:
 - Budget Monitoring;
 - Budget Setting;
 - Fleet – Commissioning of new vehicles;
 - Fleet – Disposal of vehicle;
 - Fleet – Maintenance and Stores;
 - Fleet management – use of pool cars, personal and leased cars and fuel schemes;
 - Gifts and Hospitality and Declarations of Interest;
 - Governance;
 - HR and Payroll – Absence Reporting Procedures;
 - HR and Payroll – Recruitment;
 - HR and Payroll – Retirement;
 - HR and Payroll – Staff Promotion, Progression and Movement;
 - Income and cash handling; and
 - Procurement Cards.
- iv. As previously reported to Committee, one recommendation (GFRS Procurement recommendation 4) requires no further GFRS Improvement Board or CFO action. This is due to the area being a GCC corporate recommendation to be reviewed by ARA directly with the confirmed GCC lead officer and reported separately to Committee. This action is in progress and outcomes will be separately reported to Committee through delivery of the Internal Audit Plan 2021/22. See **Appendix 3**.
- v. One recommendation (Syrian Refugee Grant recommendation 1) has been identified by Internal Audit as in progress and due for full implementation, (through the signing and sealing of a contract) in quarter 4 2021/22.

Verification of recommendation implementation will be provided through the next Internal Audit Progress Report to Audit and Governance Committee. See **Appendix 3**.

- vi. 13 audit recommendations from the GFRS HR and Payroll – Expenses and service benefits original internal audit have not been verified by ARA as implemented as at January 2022. The Internal Audit position is based on the findings from 2021/22 audit sample testing, which are summarised at **Appendix 3**. All identified anomalies have been reported to GFRS senior management. ARA is working with GFRS to clarify the areas further and ensure appropriate treatment.

Based on the above position, ARA propose that a GFRS Expenses internal audit is included within the Gloucestershire County Council Internal Audit Plan 2022/23. The review scope will ensure up to date risk assessment and consideration of the original recommendation themes, to provide assurance to Committee that they have been actioned and fully embedded.

Appendix 1 includes a summary of the GFRS audits and confirmation of the number of recommendations verified as implemented by Internal Audit to date.

Appendix 3 confirms the remaining unverified/in progress recommendations as at January 2022.

5. Conclusion as at January 2022

Covid 19 has placed significant pressures on public services and has impacted (and continues to impact) the Council's and GFRS's priorities, objectives and risk environment. Even during this very challenging period, GFRS has made positive progress and applied a strong drive to complete the implementation of the Internal Audit recommendations.

Internal Audit recognises the hard work that GFRS has placed in addressing the recommendations, particularly prioritising and focusing on these actions during the pandemic, which has not been an easy task and demonstrates a strong commitment to driving good governance within GFRS.

As at January 2022, Internal Audit can provide satisfactory assurance that audit recommendations have been fully implemented for 15 of the original 18 GFRS Action Plan internal audit reports. This is a commendable achievement. There has also been positive progression on the remaining three internal audit reports.

Based on ARA review and as detailed in **Appendix 3**, 15 recommendations remain unverified by Internal Audit and therefore are marked as in progress. The outcomes from the remaining recommendations will be reported to Audit and Governance Committee through:

- i. 2021/22 Internal Audit Progress Reports; and
- ii. Inclusion of a GFRS Expenses internal audit within the 2022/23 Internal Audit Plan and reporting of the specific activity outcomes to Committee within 2022/23.

Appendix 1 – Original GFRS Internal Audit recommendations

GFRS Action Plan internal audits	Assurance Opinions***		Internal Audit recommendations raised*** (including the total number requiring Internal Audit follow up (N) and the number verified by Internal Audit (N) as at January 2022)			Date audit findings were reported to Audit and Governance Committee
	Risk Identification Maturity	Control Environment	High Priority	Medium Priority	Total	
GFRS - Gifts and Hospitality and Declarations of Interest	Limited	Limited	3 (3) (3)	2 (2) (2)	5 (5) (5) – audit verification complete	25 th April 2019
GFRS Budget Monitoring	Substantial	Satisfactory	4 (4) (4)	0 (0) (0)	4 (4) (4) – audit verification complete	25 th April 2019
GFRS Budget Setting	Substantial	Satisfactory	1 (1) (1)	1 (0) (0)	2 (1) (1) – audit verification complete	25 th April 2019
GFRS Capital programme	Satisfactory	Satisfactory	0 (0) (0)	4 (0) (0)	4 (0) (0) – audit verification not required	26 th July 2019
GFRS Fleet – Commissioning of new vehicles	Limited (with a few Satisfactory aspects)	Limited	4 (4) (4)	3 (3) (3)	7 (7) (7) – audit verification complete	26 th July 2019
GFRS Fleet – Disposal of vehicles	Limited	Limited	12 (12) (12)	2 (2) (2)	14 (14) (14) – audit verification complete	26 th July 2019

GFRS Action Plan internal audits	Assurance Opinions***		Internal Audit recommendations raised*** (including the total number requiring Internal Audit follow up (N) and the number verified by Internal Audit (N) as at January 2022)			Date audit findings were reported to Audit and Governance Committee
	Risk Identification Maturity	Control Environment	High Priority	Medium Priority	Total	
GFRS Fleet – Maintenance and Stores	Satisfactory	Limited	8 (8) (8)	6 (6) (6)	14 (14) (14) – audit verification complete	25 th April 2019
GFRS Fleet management – use of pool cars, personal and leased cars and fuel schemes	Limited	Limited	5 (5) (5)	0 (0) (0)	5 (5) (5) – audit verification complete	11 th October 2019
GFRS Governance	Not Applicable	Not Applicable	3 (3) (3)	1 (0) (0)	4 (3) (3) – audit verification complete	25 th January 2019
GFRS HR and Payroll – Absence reporting procedures	Satisfactory	Satisfactory	3 (3) (3)	0 (0) (0)	3 (3) (3) – audit verification complete	26 th July 2019
GFRS HR and Payroll – Expenses and service benefits	Limited	Limited	11 (11) (0)	4 (4) (2)	15 (15) (2) – January 2022 position	11 th October 2019
GFRS HR and Payroll – Staff Promotion, Progression and Movement	Limited	Limited	5 (5) (5)	1 (1) (1)	6 (6) (6) – audit verification complete	25 th April 2019
GFRS HR and Payroll – Recruitment	Satisfactory	Limited	3 (3) (3)	0 (0) (0)	3 (3) (3) – audit verification complete	25 th April 2019

GFRS Action Plan internal audits	Assurance Opinions***		Internal Audit recommendations raised*** (including the total number requiring Internal Audit follow up (N) and the number verified by Internal Audit (N) as at January 2022)			Date audit findings were reported to Audit and Governance Committee
	Risk Identification Maturity	Control Environment	High Priority	Medium Priority	Total	
GFRS HR and Payroll – Retirement	Satisfactory	Satisfactory	2 (2) (2)	1 (0) (0)	3 (2) (2) – audit verification complete	25 th April 2019
GFRS Income and cash handling	Satisfactory	Satisfactory	3 (3) (3)	5 (0) (0)	8 (3) (3) – audit verification complete	26 th July 2019
GFRS Procurement	Limited	Limited	7 (7) (6)	1 (1) (1)	8 (8) (7) – January 2022 position	26 th July 2019
GFRS Procurement Cards	Limited	Limited	7 (7) (7)	1 (1) (1)	8 (8) (8) – audit verification complete	25 th April 2019
Syrian Refugee Grant	Satisfactory	Limited	4 (4) (3)	1 (1) (1)	5 (5) (4) – January 2022 position	11 th October 2019
			Total	85 (85) (72)	33 (21) (19)	118 (106) (91)

***See [Appendix 2](#) for the internal audit assurance opinion and recommendation definitions.

Appendix 2 – Internal Audit assurance opinion and recommendation definitions

ARA Internal Audit assurance opinion definitions:

Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, customer, partners, and staff. All key risks are accurately reported and monitored in line with the Corporate Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved • Control Application – Controls are applied continuously or with minor lapses
Satisfactory	<p>Risk Aware Service area have an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, customer, partners, and staff. However some key risks are not being accurately reported and monitored in line with the Corporate Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger • Control Application – Controls are applied but with some lapses
Limited	<p>Risk Naïve Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Corporate Risk Management Strategy, the Service area has not demonstrated an adequate awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, customer, partners and staff.</p>	<ul style="list-style-type: none"> • System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls • Control Application – Significant breakdown in the application of control

ARA Internal Audit recommendation priority definitions:

Priority	Description
High	Critical or Major risk exposure which materially impact on the assets, reputation, service delivery and objectives of the Council.
Medium	Moderate risk exposure that impacts on the assets, reputation, service delivery and objectives of the Council.

Appendix 3 – Recommendations confirmed as in progress as at January 2022

Two individual recommendations have been identified as in progress through an appropriate route. The below table details the recommendations, their progression route and the position as at January 2022.

GFRS Action Plan internal audit	Recommendation reference and priority	Management's response	Position as at January 2022
<p>Limited Assurance</p> <p>GFRS Procurement</p>	<p>High priority</p> <p>4. A review of the second line of defence role and responsibilities should be undertaken to establish whether the Council's current procurement oversight, challenge, support and monitoring function(s) is adequate to achieve the principles and application of an effective and robust three lines of defence model. The results of this review should then be implemented.</p>	<p>For below OJEU threshold, a review will be undertaken and recommendations made on improving controls. Discussions have already taken place between Finance, Commercial and BSC on this. The sourcing pool principle will be reviewed and updated and appropriate training given to staff.</p>	<p>Recommendation progressed and escalated by GFRS Improvement Board, due to being a GCC corporate action. Recommendation action ownership re-allocated to the GCC Assistant Director of Strategic Procurement as at December 2020.</p> <p>The area will be reviewed by ARA directly with the confirmed GCC lead officer, monitored and reported separately to Audit and Governance Committee.</p> <p>This has been initiated through the approved 2021/22 Internal Audit Plan and progression of a number of activity streams. Such as the Procurement Sourcing Pools consultancy review, with outcomes due to be reported to the 21st January 2022 Audit and Governance Committee.</p>

GFRS Action Plan internal audit	Recommendation reference and priority	Management's response	Position as at January 2022
<p>Limited Assurance</p> <p>Syrian Refugee Grant</p>	<p>High priority</p> <p>1. A formal contract is put in place for GARAS, this contract should then be entered on the Contracts Register held by GCC.</p>	<p>Work is well underway with GCC commissioning to ensure that the support services provided for Syrian Refugee Resettlement are procured through a compliant framework. It is currently waiting for Commercial Services to complete their enquiries. We aim to have this in place by December 2019.</p>	<p>A co-ordinated effort was applied by GFRS, Strategic Finance, Legal and Strategic Procurement to complete an EU compliant competitive tender process for the Gloucestershire Refugee Resettlement Programme. The outcome was the contract award to GARAS Ltd from April 2021 for a period of three years (with the option to extend for up to two years).</p> <p>Audit trail supports the tender process and the outcome, including decision for the contract award being finalised through 'Executive Decision Making by an Officer with Delegated Powers'.</p> <p>As at December 2021, confirmation has been received from both GFRS and Legal Services that the formal final contract is not sealed. Legal Services is progressing the contract for update, signature then sealing within January 2022.</p> <p>The audit recommendation should be fully actioned in quarter 4 2021/22. The outcome will be reported to Committee through the Internal Audit Progress Report 2021/22.</p>

In addition, 13 audit recommendations from the GFRS HR and Payroll – Expenses and service benefits original internal audit have not been verified as implemented by Internal Audit as at January 2022. The rationale on recommendation position and confirmation of future assurance actions are confirmed below.

GFRS Action Plan internal audit	Recommendation reference and priority	Management's response	Position as at January 2022
<p>Limited Assurance</p> <p>GFRS HR and Payroll – Expenses and service benefits</p>	<p>13 audit recommendations (11 High priority and 2 Medium priority) have been marked by ARA as 'Further Action or Information Required' to enable Internal Audit verification.</p> <p>The recommendations relate to:</p> <ul style="list-style-type: none"> i. Policy and procedure update; ii. Improvement to internal controls (including management review and authorisation); and iii. Management oversight and review to ensure compliance with requirements and investigation of anomaly areas. <p>The above recommendation themes included the need to ensure compliance with relevant HMRC tax requirements.</p>	<p>Management confirmed agreement to all GFRS HR and Payroll – Expenses and service benefits audit recommendations.</p> <p>GFRS Improvement Board confirmed implementation of all GFRS HR and Payroll – Expenses and service benefits audit recommendations as at May 2021.</p> <p>Audit trail was provided to ARA to evidence the achieved position.</p>	<p>Management responses, GFRS Improvement Board updates and wider audit trail has been reviewed by ARA. In addition, GFRS expenses audit sample testing has been completed in 2021 to ensure there is evidenced compliance with the recommendation requirements.</p> <p>Material anomalies have been identified within audit sample testing specific to the treatment of home to work mileage; and audit trail for completed journeys. This position has prevented Internal Audit verification of the 13 recommendations, due to the level of non-compliance identified.</p> <p>All identified anomalies have been reported to GFRS senior management. ARA is working with GFRS to clarify the areas and ensure appropriate treatment.</p>

Based on the above position, ARA propose that a GFRS Expenses internal audit is included within the Internal Audit Plan 2022/23. The review scope will ensure consideration of the original recommendation themes and provide assurance to Committee that they have been actioned.