



SUBJECT: INTERNAL AUDIT PLAN REPORT – 2024/2025

REPORT OF THE HEAD OF INTERNAL AUDIT

1. Purpose of Report

- 1.1 To enable the Governance Committee to consider and comment on the proposed Internal Audit Plan for 2024/25.

2. Background

- 2.1 The Terms of Reference of the Committee include '*consider and endorse the Internal Audit Strategy and Operational Plan and monitor performance*'.
- 2.2 The Internal Audit Strategy for the Authority has been revised and is included below. The internal audit strategy sets out how the service will be delivered and the role of Internal Audit in providing assurance to the Authority.
- 2.3 The Internal Audit Plan sets out the proposed plan of audit work for the Authority for 2024/25 along with Internal Audit's performance targets for the year.

3. Recommendation

- 3.1 The Governance Committee is invited to consider and, if appropriate, make comment on the attached proposed Internal Audit Plan.

4. Background Papers

- 4.1 None.

Tyne and Wear Fire and Rescue Authority

Internal Audit Strategy

1. Provision of Internal Audit

- 1.1 Paragraph 4.1 of the Authority's Financial Regulations states that '*A continuous internal audit, under the independent control and direction of the Finance Officer, shall be arranged to carry out an examination of accounting, financial and other operations of the Authority.*'
- 1.2 Sunderland City Council's internal auditors provide the internal audit service to the Authority.

2. Professional Standards

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the primary public sector accountancy body in the U.K. In 2013 CIPFA issued the Public Sector Internal Audit Standards which are based on the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. The standards were revised in 2017 to incorporate new and revised international standards and consequent amendments to the additional public sector requirements and interpretations.
- 2.2 The internal audit service maintains a quality manual which sets out the policies and procedures required to meet the standards set out above. Periodic external reviews are conducted to ensure that they are complied with.

3. Role of Internal Audit

- 3.1 The role of Internal Audit for the Authority is to provide independent assurance to the Authority on its overall system of internal control. To fulfil this role internal audit will undertake an audit risk assessment, in consultation with the Chief Fire Officer and Finance Director to determine the priority areas for audit activity. Internal Audit activity will also cover activity in relation to anti-fraud and corruption.
- 3.2 Assurance will be provided to Senior Management and the Governance Committee on the findings of Internal Audit work and the overall assurance level for each of the key risk areas covered by the risk assessment.

4. Planning and Resources

- 4.1. In developing the coverage of internal audit work, it is appropriate to cover the key risk areas of the Authority over a period of years. The frequency and scope of the work is driven by an assessment of risk in consultation with key officers within the Authority and a review of key documents. The audit risk assessment will be updated each year in consultation with the Authority. This will ensure that the audit plan is supportive of the Authority as well as providing assurance on the key risk areas.

5. Skills and Competence

- 5.1. The internal audit service encourages its staff to obtain and hold professional qualifications and supports staff in this regard. The service has a pool of skills and experience. The head of internal audit and the senior managers are professionally qualified, and all staff are trained to deliver work to professional / quality standards which includes a senior officer review of each piece of work to ensure the standards are complied with.
- 5.2. The overall staffing compliment for the service includes staff with the following qualifications:

| | |
|---|---|
| Qualified Accountants: | 4 |
| Institute of Internal Auditors – Chartered Level: | 4 |
| Institute of Internal Auditors – Certified Level: | 1 |
| Association of Accounting Technicians: | 3 |

** please note that some staff hold more than one qualification*

6. Performance Indicators

- 6.1. A range of performance indicators are maintained covering Efficiency, Quality and Customer Satisfaction. Performance in relation to the Authority will be reported where appropriate. Performance indicators measured include those in relation to each audit, client satisfaction through the return of post audit questionnaires and the percentage of agreed actions which are implemented by the agreed implementation date.

7. Reporting

- 7.1. Reports will be provided to Senior Management and the Governance Committee covering the following:
- Internal Audit Strategy (when appropriate) and annual Audit Plan.
 - Mid-year Progress Report.
 - Internal Audit Annual Report following the end of each financial year.
- 7.2. The conclusion of each audit report will be provided within the Internal Audit Progress Report along with the overall assurance level for each key risk area and an update of the current position in relation to performance indicators.
- 7.3. The head of internal audit will have direct access to the Chief Fire Officer and the Chair of the Governance Committee where it is considered appropriate.

February 2024

Tyne and Wear Fire and Rescue Authority

Internal Audit Plan for 2024/25

1. Introduction

- 1.1 This document sets out the proposed Internal Audit Plan and key performance measures for 2024/25.

2. Development of the Plan

- 2.1 In developing the coverage of internal audit work it is appropriate to cover the key risk areas of the business over a period of years. The frequency and scope of the work is driven by an assessment of risk in consultation with the Chief Fire Officer and the Finance Director. The Internal Audit Plan sets out the work scheduled for the next financial year.
- 2.2 As specific areas of concern or irregularity may require investigation as and when they arise, a small contingency is made for this work.
- 2.3 Where individual audits cannot be undertaken as originally planned (e.g. service no longer provided), attempts will be made to replace the audit with a suitable replacement in consultation with the Finance Director. Where these changes are agreed this shall be considered a variation to this plan for the purposes of performance reporting.
- 2.4 In addition, unforeseen work can arise due to new areas of service or increased risk which is appropriate to prompt internal audit work in the year. Therefore, in order to allow some flexibility, a small contingency is made to enable such work to be undertaken without adversely affecting the delivery of the planned audit work.
- 2.5 Time has also been allocated for the provision of advice and guidance.
- 2.6 Within the plan, provision has been made to carry out follow up work to monitor the implementation of previously agreed recommendations.

3. Planned Audit Work for 2024/25

- 3.1 The following audits are planned.
 - 3.1.1 Replacement of the Operational Communication System (12 days, planned for quarter 1)
Audit work will examine the project management arrangements in place with regard to the new operational communication system.

- 3.1.2 Community Risk Management Plan (12 days, planned for quarter 1)
The audit will review the arrangements in relation to producing the community risk management plan.
- 3.1.3 Risk Management (12 days, planned for quarter 2)
The audit will review the arrangements in place to monitor and report on the risks and mitigating actions included within the corporate risk profile.
- 3.1.4 Information Access Requests (12 days, planned for quarter 2)
The audit will review the arrangements in place to handle freedom of information and subject access requests.
- 3.1.5 Financial transaction testing (10 days, planned for quarter 3)
Audit work will involve testing of a sample of transactions relating to Payroll and Accounts Payable.
- 3.1.6 Human resource action plan (12 days, planned for quarter 4)
The audit will review the arrangements followed to produce, monitor and report on an action plan consolidating human resource actions from the inspectorate report, thematic reviews and the staff survey.
- 3.2 Each audit is linked to the appropriate key risk area(s) to identify the audit work that will inform the opinion in relation to each key risk area. Appendix 1 to this report shows all of the key risk areas and those audits that contribute towards the opinion on each area. It should be noted that some audits contribute towards the opinion of more than one key risk area and some key risk areas rely on a number of audits. The overall opinion for Human Resource Management has changed from green to amber due to the progression in the period covered by the opinion and a previous audit opinion now being no longer included. Follow up work on the remaining audit will be undertaken in due course.
- 3.3 In addition to the above, audit work is also undertaken on the Lead Authority's key financial systems, which are used by the Fire and Rescue Authority. Systems planned to be audited include:
- Accounts Payable;
 - Accounts Receivable / Periodic Income;
 - Payroll.

4. Reporting Protocols

- 4.1 At the conclusion of each individual audit a draft report and, if necessary, a proposed action plan will be forwarded to the appropriate manager. Once agreement has been reached, a final report (including any agreed action plan) will be forwarded to the Chief Fire Officer. Where audits highlight issues, which need to be brought to the attention of the Finance Director they

will be raised as and when necessary.

- 4.2 The Chief Fire Officer and Governance Committee will be updated on progress against the audit plan approximately halfway through the year.
- 4.3 An Annual Report will be prepared for the Governance Committee, in order to give assurance, or otherwise, to Members regarding the Authority's system of internal control.

5. Performance Management

- 5.1 All work undertaken will be in accordance with the internal audit service's policies and procedures, which are compliant with the Public Sector Internal Audit Standards, as confirmed in an independent review by the external auditor in December 2018.
- 5.2 The Key Performance Indicators which will be used to measure the performance of the service throughout the year are shown in Appendix 2.

6. Variations to Audit Plan

- 6.1 In order to allow some flexibility in the work Internal Audit undertake, as stated earlier a contingency is made to enable unforeseen requests to be responded to without adversely affecting the delivery of the planned audit work. However, if the contingency has been exhausted an assessment will be carried out to determine whether requests for additional work should be undertaken, based on the impact upon the delivery of the plan and the risks associated with the work requested.

Internal Audit Coverage

| Key Risk Area | Internal Audit Risk Assessment (Residual Risk) | Implication for the Audit Plan | 2021/22 Audit Opinion / Assurance | 2022/23 Audit Opinion / Assurance | 2023/24 Audit Opinion / Assurance | Overall Opinion from Previous 3 years work | Audits Planned for 2024/25 |
|-----------------------------------|--|--|---|--|--|--|--|
| Corporate Governance | 5% | Review the arrangements in place to monitor and report on the risks and mitigating actions included within the corporate risk profile. | Corporate Governance Arrangements - Substantial | | | Substantial | Risk management arrangements |
| Service / Business Planning, IRMP | 9% | Review the arrangements in relation to producing the community risk management plan. | | Use of Emergency Vehicles – Substantial | | Substantial | Community Risk Management Plan |
| Financial Management | 5% | Accounts payable and payroll transaction testing undertaken annually. | Financial Transactions Testing on Payroll and Accounts Payable – Substantial Reserves Policy - Substantial | Financial Transactions Testing on Payroll and Accounts Payable – Substantial | Financial Transactions Testing on Payroll and Accounts Payable – Substantial | Substantial | Financial transaction testing on payroll and accounts payable. |

Appendix 2

| Key Risk Area | Internal Audit Risk Assessment (Residual Risk) | Implication for the Audit Plan | 2021/22 Audit Opinion / Assurance | 2022/23 Audit Opinion / Assurance | 2023/24 Audit Opinion / Assurance | Overall Opinion from Previous 3 years work | Audits Planned for 2024/25 |
|-------------------------------------|--|---|-----------------------------------|---|---|--|---|
| Risk Management | 9% | <p>Review the arrangements in place to monitor and report on the risks and mitigating actions included within the corporate risk profile.</p> <p>Review the arrangements in relation to producing the community risk management plan.</p> | | <p>Use of Emergency Vehicles – Substantial</p> <p>Fire Safety – Substantial</p> | Health and Safety Arrangements - Moderate | Substantial | <p>Risk management arrangements</p> <p>Community Risk Management Plan</p> |
| Procurement and Contract Management | 8% | No audits suggested for the coming year. | | | Contract Management Arrangements for the new Fire Station – Substantial | Substantial | No audit work planned. |
| Human Resource Management | 14% | Review the arrangements followed to produce, monitor and report on an action plan consolidating | | | <p>Health and Safety Arrangements – Moderate</p> <p>Inspectorate Report Actions</p> | Moderate | Human resource action plan. |

Appendix 2

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|------------------------|--|--|--|--|--|--|--|
| | | human resource actions from the inspectorate report, thematic reviews and the staff survey. | | | | | |
| Asset Management | 8% | No audits suggested for the coming year. | | | Contract Management Arrangements for the new Fire Station – Substantial | Substantial | No audit work planned. |
| ICT | 15% | No audits suggested for the coming year. | | | Cyber Security Arrangements | Substantial | No audit work planned. |
| Fraud and Corruption | 2% | Financial transactions tested annually through accounts payable and payroll. | Financial Transactions Testing on Payroll and Accounts Payable - Substantial | Financial Transactions Testing on Payroll and Accounts Payable – Substantial | Financial Transactions Testing on Payroll and Accounts Payable – Substantial | Substantial | Financial transaction testing on payroll and accounts payable. |
| Information Governance | 16% | Review the arrangements in place to handle freedom of information and subject access requests. | Compliance with General Data Protection Regulation - Moderate | Compliance with General Data Protection Regulation – Moderate | Compliance with General Data Protection Regulation | Moderate | Information access requests. |

Appendix 2

| Key Risk Area | Internal Audit Risk Assessment (Residual Risk) | Implication for the Audit Plan | 2021/22 Audit Opinion / Assurance | 2022/23 Audit Opinion / Assurance | 2023/24 Audit Opinion / Assurance | Overall Opinion from Previous 3 years work | Audits Planned for 2024/25 |
|--|--|--|---|--|---|--|---|
| Business Continuity & Contingency Planning | 15% | No audits suggested for the coming year. | | Business Continuity Arrangements - Substantial | | Substantial | No audit work planned. |
| Performance Management | 5% | Review the arrangements in place to handle freedom of information and subject access requests. | Performance Management Arrangements - Substantial | | | Substantial | Information access requests. |
| Payroll | 5% | Payroll transaction testing. | Transaction Testing – Payroll - Substantial | Transaction Testing – Payroll - Substantial | Transaction Testing – Payroll - Substantial | Substantial | Transaction testing - payroll |
| Partnership Working | 11% | No audits suggested for the coming year. | | Partnership Arrangements – Substantial | | Substantial | No audit work planned. |
| Project Management | 15% | Examine the project management arrangements in place with regard to the new operational communication system | Project Management Arrangements - Substantial | | | Substantial | Replacement of the operational communication system |

| Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2024/25 | | |
|---|---|--|
| Efficiency and Effectiveness | | |
| Objectives | KPI's | Targets |
| 1) To ensure the service provided is effective and efficient. | 1) Complete sufficient audit work to provide an opinion on the key risk areas identified. | 1) All key risk areas covered over a 3 year period |
| | 2) Percentage of draft reports issued within 15 days of the end of fieldwork. | 2) 90% |
| | 3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report). | 3) 85% |

| Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2024/25 | | |
|---|---|---|
| Quality | | |
| Objectives | KPI's | Targets |
| 1) To maintain an effective system of Quality Assurance. | 1) Opinion of External Auditor | 1) Satisfactory opinion |
| 2) To ensure recommendations made by the service are agreed and implemented. | 2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented. | 2) 100% for high and significant. 90% for medium risk |
| Client Satisfaction | | |
| Objectives | KPI's | Targets |
| 1) To ensure that clients are satisfied with the service and consider it to be good quality. | 1) Results of Post Audit Questionnaires | 1) Overall average score of better than 1.5 (where 1=Good and 4=Poor) |
| | 2) Results of other Questionnaires | 2) Results classed as 'Good' |
| | 3) Number of Complaints / Compliments | 3) No target – actual numbers will be reported |