

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item 5

GOVERNANCE COMMITTEE

DATE: 7th MARCH 2022

SUBJECT: INTERNAL AUDIT PLAN REPORT – 2022/2023

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 2022/23.

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 was agreed on 26th March 2018 and remains fit for purpose; therefore, this report only covers the Internal Audit Plan for 2022/23.
- 2.3 The Internal Audit Plan sets out the proposed plan of audit work for the Authority for 2022/23 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 Plan for 2022/23

1. Introduction

- 1.1 This document sets out the proposed Internal Audit Plan and key performance measures for 2022/23.

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 Operational 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 (except for those classed as low risk).

3. Planned Audit Work for 2022/23

- 3.1 The following audits are planned.
 - 3.1.1 Business Continuity Arrangements (12 days, planned for quarter 1)
Audit work will examine the arrangements in place within the Service specifically in relation to the event of a loss of ICT provision, including service operational vehicles.

- 3.1.2 Partnership Working (12 days, planned for quarter 2)
The audit will review the arrangements in place within the Service relating to partnership working.
- 3.1.3 Financial Management/Fraud and Corruption (10 days, planned for quarter 3)
Audit work will involve testing of a sample of transactions relating to Payroll and Accounts Payable.
- 3.1.4 Service/Business Planning and IRMP (24 days, planned for quarters 3 and 4)
A contingency of audit time is to be held for work to be agreed following receipt of the Inspectorate report.
- 3.1.5 Information Governance (5 days, planned for quarter 4)
The audit will review the results of the Service's Data Protection Officer's assurance work.
- 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 Project 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 undertaken, 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	2019/20 Audit Opinion / Assurance	2020/21 Audit Opinion / Assurance	2021/22 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2022/23
Corporate Governance	5%	No audits suggested for the coming year.	Procurement - Substantial		Corporate Governance Arrangements	Substantial	No audit work planned.
Service / Business Planning, IRMP	9%	Audit due as per the 3 year coverage.	IRMP - Substantial			Substantial	Contingency held for work to be agreed following receipt of the Inspectorate report.
Financial Management	5%	Accounts payable and payroll transaction testing undertaken annually.	Financial Transactions Testing on Payroll and Accounts Payable - Substantial	Financial Transaction Testing – Payroll and Accounts Payable - Substantial Business Development / Income Generation - Substantial	Financial Transactions Testing on Payroll and Accounts Payable – Substantial Reserves Policy - Substantial	Substantial	Financial transaction testing on payroll and accounts payable.
Risk Management	6%	Audit due as per the 3 year coverage.	IRMP - Substantial			Substantial	Contingency held for work to be agreed following receipt of the Inspectorate report.
Procurement and Contract Management	11%	No audits suggested for the coming year.	Review of the contract management arrangements for a sample of	Contract Management Arrangements - Moderate		Substantial	No audit work planned.

Appendix 1

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	2019/20 Audit Opinion / Assurance	2020/21 Audit Opinion / Assurance	2021/22 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2022/23
			key contracts – Substantial Procurement - Substantial				
Human Resource Management	14%	No audits suggested for the coming year.	Managerial Assessment Programme - Substantial	Workforce Planning - Substantial		Substantial	No audit work planned.
Asset Management	8%	No audits suggested for the coming year.	Asset Management - Substantial	Contract Management Arrangements - Moderate		Substantial	No audit work planned.
ICT	15%	No audits suggested for the coming year.		ICT Systems Developments - Substantial		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 of the results of the DPO checks.	Compliance with General Data Protection Regulation - Substantial	Compliance with General Data Protection Regulation - Substantial	Compliance with General Data Protection Regulation - Moderate	Substantial	Compliance with the General Data Protection Regulation.

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Business Continuity & Contingency Planning	15%	Review of the Business Continuity Arrangements in place within the Service specifically in relation to the event of a loss of ICT provision, including service operational vehicles.	Business Continuity Planning - Substantial			Substantial	Business Continuity Arrangements
Performance Management	5%	No audits suggested for the coming year.			Performance Management Arrangements	Substantial	No audit work planned.
Payroll	5%	Payroll transaction testing.	Financial Transactions Testing on Payroll - Substantial	Transaction Testing – Payroll - Substantial	Transaction Testing – Payroll - Substantial	Substantial	Transaction testing - payroll
Partnership Working	17%	A review of the arrangements in place to manage partnership working within the service.	Review of the contract management arrangements for a sample of key contracts – Substantial			Substantial	Partnership Arrangements

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Project Management	15%	No audits suggested for the coming year.			Project Management Arrangements - Moderate	Moderate	No audit work planned.

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2022/23		
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 2022/23		
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