

**TYNE AND WEAR FIRE AND RESCUE AUTHORITY**

**Item 6**

**GOVERNANCE COMMITTEE: 8<sup>th</sup> March 2021**

---

**SUBJECT: INTERNAL AUDIT PLAN REPORT – 2021/2022**

**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 2021/22.

**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 26<sup>th</sup> March 2018 and remains fit for purpose; therefore, this report only covers the Internal Audit Plan for 2021/22.
- 2.3 The Internal Audit Plan sets out the proposed plan of audit work for the Authority for 2021/22 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 2021/22**

### **1. Introduction**

- 1.1 This document sets out the proposed Internal Audit Plan and key performance measures for 2021/22.

### **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 2021/22**

- 3.1 The following audits are planned.
  - 3.1.1 Project Management (20 days, planned for quarter 1)  
This audit will review the arrangements in place to manage projects within the Service including the framework in place, benefits realisation, performance management and project evaluations.
  - 3.1.2 Performance Management (8 days, planned for quarter 2)  
Audit work will examine the process in place to monitor and report on

performance within the Service.

- 3.1.3 Financial Management (8 days, planned for quarter 2)  
The audit will include a review of the strategy for holding reserves and its application within the Service.
- 3.1.4 Information Governance (5 days, planned for quarter 3)  
The audit will review the results of the Service's Data Protection Officer's assurance work.
- 3.1.5 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.
- 3.1.6 Corporate Governance (12 days, planned for quarter 4)  
This audit will review the new governance arrangements that have recently been implemented regarding the operational management of the Service.
- 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.
- 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 half way 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	2018/19 Audit Opinion / Assurance	2019/20 Audit Opinion / Assurance	2020/21 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2021/22
Corporate Governance	5%	To look at the new governance arrangements that have recently been implemented.		Procurement - Substantial		Substantial	Corporate Governance Arrangements.
Service / Business Planning, IRMP	9%	No audits suggested for the coming year.		IRMP - Substantial		Substantial	No audit work planned.
Financial Management	5%	Accounts payable and payroll transaction testing undertaken annually.  Review of the reserves strategy and its application.	Financial Transactions Testing on Payroll and Accounts Payable - Substantial	Financial Transactions Testing on Payroll and Accounts Payable - Substantial	Financial Transaction Testing – Payroll and Accounts Payable  Business Development / Income Generation - Substantial	Substantial	Financial transaction testing on payroll and accounts payable.  Review of the reserves strategy.
Risk Management	6%	No audits suggested for the coming year.		IRMP - Substantial		Substantial	No audit work planned.

## Appendix 1

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	2018/19 Audit Opinion / Assurance	2019/20 Audit Opinion / Assurance	2020/21 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2021/22
Procurement and Contract Management	11%	No audits suggested for the coming year.	Review of the contract management arrangements for a sample of key contracts – Deferred to 2019/20	Review of the contract management arrangements for a sample of key contracts – Substantial  Procurement - Substantial	Contract Management Arrangements - Moderate	Substantial	No audit work planned.
Human Resource Management	17%	No audits suggested for the coming year.	Implementation of Core HR - Substantial	Managerial Assessment Programme - Moderate	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.	Review of the cyber security arrangements in place for the service – Moderate  Review of the business continuity/disaster recovery arrangements in		ICT Systems Developments - Moderate	Substantial	No audit work planned.

## Appendix 1

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	2018/19 Audit Opinion / Assurance	2019/20 Audit Opinion / Assurance	2020/21 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2021/22
			place for the Service - Substantial				
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	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 - Substantial	Substantial	Compliance with the General Data Protection Regulation.
Business Continuity & Contingency Planning	15%	No audits suggested for the coming year.	Review of the business continuity/disaster recovery arrangements in place for the Service - Substantial	Business Continuity Planning - Substantial		Substantial	No audit work planned.
Performance Management	5%	Audit to look at the framework in place and linkages with the transformational project management	Performance Management Arrangements – Substantial Integrated Risk Management			Substantial	Performance management arrangements.

## Appendix 1

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	2018/19 Audit Opinion / Assurance	2019/20 Audit Opinion / Assurance	2020/21 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned for 2021/22
		arrangements within the Service.	Plan, Response Review Report - Data Quality - Substantial				
Payroll	5%	Payroll transaction testing.	Financial Transactions Testing on Payroll - Substantial	Financial Transactions Testing on Payroll - Substantial	Transaction Testing – Payroll	Substantial	Transaction testing - payroll
Partnership Working	17%	No audits suggested for the coming year.		Review of the contract management arrangements for a sample of key contracts – Substantial		Substantial	No audit work planned.
Project Management	15%	Audit of programme management to include review of the framework, benefits realisation, performance management and project evaluations.	Implementation of Core HR - Substantial			Substantial	Project management arrangements



Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2021/22		
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.  2) Percentage of draft reports issued within 15 days of the end of fieldwork.  3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	1) All key risk areas covered over a 3 year period  2) 90%  3) 85%

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2021/22		
Quality		
Objectives	KPI's	Targets
1) To maintain an effective system of Quality Assurance.  2) To ensure recommendations made by the service are agreed and implemented.	1) Opinion of External Auditor  2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented.	1) Satisfactory opinion  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  2) Results of other Questionnaires  3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)  2) Results classed as 'Good'  3) No target – actual numbers will be reported