

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No: 4

GOVERNANCE COMMITTEE MEETING: 27 May 2022

SUBJECT: INTERNAL AUDIT ANNUAL REPORT – 2021/2022

REPORT OF THE HEAD OF INTERNAL AUDIT

1. Purpose of Report

- 1.1 To consider the performance of Internal Audit for 2021/2022, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Tyne and Wear Fire and Rescue Service.

2. Description of Decision

- 2.1 The Governance Committee is asked to consider and note the Internal Audit Annual Report.

3. Key Performance Indicators (KPIs)

- 3.1 The Internal Audit service measures its performance in terms of Efficiency, Quality and Client Satisfaction. Performance during the year is shown in Appendix 1. Where possible, performance specifically relating to the Fire and Rescue Service is included. All KPIs for 2021/22 were achieved.

4. Summary of Internal Audit Work

- 4.1 The findings of the 2021/22 audits have been taken together with the findings of audits from the previous two years to form an opinion on each of the identified key risk areas, and an opinion on the adequacy of the overall system of internal control for the Authority. The detailed analysis of these opinions is provided at Appendix 2.
- 4.2 As a result of the audits carried out, a number of actions have been agreed to improve internal control. The numbers of actions agreed are shown below:

Categorisation of Risk	Definition	Number of Actions
High	A fundamental control weakness which presents material risk to the audited body and requires immediate attention by senior management.	0

Categorisation of Risk	Definition	Number of Actions
Significant	There is a control issue which could have a significant impact on the achievement of the aims and objectives of the organisation, or which presents a significant risk to the organisation's reputation. Prompt management action is required to remedy the situation.	0
Medium	There is a control weakness within the system, which presents material risk to the area or service being audited, and management attention is required to remedy the situation within a reasonable period.	12
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	8

- 4.3 The work undertaken did not identify any matters material to the overall internal control environment of the service.

5. Compliance with the Public Sector Internal Audit Standards

- 5.1 Internal Audit continues to comply with the Public Sector Internal Audit Standards through the standards being built into audit working practices. This was confirmed during a review of Internal Audit by the external auditors, Mazars in December 2018.

6. Conclusions

- 6.1 This report provides assurance that sufficient audit work was completed within the year to enable an opinion on the service's internal control environment, with no high or significant risk issues being identified.
- 6.2 Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken within 2021/22, it is considered that overall, throughout the Service, there continues to be a good internal control environment.

Background Papers

Internal Audit Plan 2021/2022 - Governance Committee 8th March 2021.

Appendix 1

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2021/22			
Efficiency and Effectiveness			
Objectives	KPI's	Targets	Progress
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%	1) Achieved 2) Achieved (100%) 3) Achieved (100%)
Quality			
Objectives	KPI's	Targets	Progress
1) To maintain an effective system of Quality Assurance.	1) Opinion of External Auditor	1) Satisfactory opinion	1) Achieved
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	2) High and significant – Achieved (100%) Medium – Achieved (96%)
Client Satisfaction			
Objectives	KPI's	Targets	Progress
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	1) Achieved (Average score for last 12 months is 1.0) 2) None undertaken 3) No compliments or complaints received

Internal Audit Coverage

Key Risk Area	Audits undertaken 2021/22	2019/20 Audit Opinion / Assurance	2020/21 Audit Opinion / Assurance	2021/22 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work
Corporate Governance	Corporate Governance Arrangements.	Procurement - Substantial		Corporate Governance Arrangements - Substantial	Substantial
Service / Business Planning, IRMP	No audit work planned.	IRMP - Substantial			Substantial
Financial Management	Financial transaction testing on payroll and accounts payable. Review of the reserves strategy.	Financial Transactions Testing on Payroll and Accounts Payable - Substantial	Financial Transactions Testing on Payroll and Accounts Payable – Substantial Business Development/Income Generation - Substantial	Financial Transactions Testing on Payroll and Accounts Payable – Substantial Reserves Strategy – Substantial	Substantial
Risk Management	No audit work planned.	IRMP - Substantial			Substantial
Procurement and Contract Management	No audit work planned.	Review of the contract management arrangements for a sample of key contracts – Substantial Procurement - Substantial	Contract Management Arrangements, PFI Buildings - Moderate		Substantial

Appendix 2

Key Risk Area	Audits undertaken 2021/22	2019/20 Audit Opinion / Assurance	2020/21 Audit Opinion / Assurance	2021/22 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work
Human Resource Management	No audit work planned.	Managerial Assessment Programme - Substantial	Workforce Planning - Substantial		Substantial
Asset Management	No audit work planned.	Asset Management - Substantial	Contract Management Arrangements, PFI Buildings - Moderate		Substantial
ICT	No audit work planned.		ICT Systems Development - Substantial		Substantial
Fraud and Corruption	Financial transaction testing on payroll and accounts payable.	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
Information Governance	Compliance with the General Data Protection Regulation.	Compliance with General Data Protection Regulation – Substantial	Compliance with General Data Protection Regulation - Substantial	Compliance with General Data Protection Regulation - Moderate	Substantial
Business Continuity & Contingency Planning	No audit work planned.	Business Continuity Planning - Substantial			Substantial

Appendix 2

Key Risk Area	Audits undertaken 2021/22	2019/20 Audit Opinion / Assurance	2020/21 Audit Opinion / Assurance	2021/22 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work
Performance Management	Performance management arrangements.			Performance Management Arrangements – Substantial	Substantial
Payroll	Financial Transactions Testing on Payroll.	Financial Transactions Testing on Payroll - Substantial	Financial Transactions Testing on Payroll - Substantial	Financial Transactions Testing on Payroll - Substantial	Substantial
Partnership Working	No audit work planned.	Review of the contract management arrangements for a sample of key contracts – Substantial			Substantial
Project Management	Project management arrangements.			Project management arrangements - Moderate	Moderate