

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

GOVERNANCE COMMITTEE

Item 4

MEETING: 11TH MARCH 2019

SUBJECT: INTERNAL AUDIT PLAN FOR 2019/20

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 2019/20.

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 2019/20.
- 2.3 The Internal Audit Plan sets out the proposed plan of audit work for the Authority for 2019/20 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 2019/20

1. Introduction

- 1.1 This document sets out the proposed Internal Audit Plan and key performance measures for 2019/20.

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 Strategic Finance Manager. 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 Strategic Finance Manager. 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 2019/20

- 3.1 The following audits are planned.
- 3.1.1 Human Resource Management (10 days, planned for quarter 1)
This audit will review the process followed for the implementation of the Core HR system.
- 3.1.2 Service/Business Planning & IRMP (15 days, planned for quarter 1)

Audit work will examine the framework, approach and use of resources within the IRMP.

- 3.1.3 Corporate Governance (10 days, planned for quarter 2)
The audit will test compliance with the Authority's Standing Orders regarding procurement.
- 3.1.4 Information Governance (3 days, planned for quarter 2)
The audit will review the results of the Service's Data Protection Officer's assurance work.
- 3.1.5 Financial Management (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 Asset Management (12 days, planned for quarter 3)
This audit will review the Service's arrangements for managing assets directly managed by the Fire Service.
- 3.1.6 Business Continuity and Contingency Planning (12 days, planned for quarter 4)
Audit work will review the business continuity arrangements in relation to operational response.
- 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 Strategic Finance Officer 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.

Appendix 1

Detailed Audit Coverage

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	2016/17 Audit Opinion / Assurance	2017/18 Audit Opinion / Assurance	2018/19 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work	Audits Planned 2019/20
Corporate Governance	5%	Strong framework in place and good history of general compliance. Audit due in the 3 year cycle.	Review of compliance with new Standing Orders - Substantial			Substantial	Review of compliance with Standing Orders in relation to procurement.
Service / Business Planning, IRMP	13%	Sound arrangements are in place. However there is currently a consultation exercise underway which will result in a reorganisation.		Human Resource Management - Substantial		Substantial	Review of use of resources, framework and approach in IRMP.
Financial Management	5%	Recent audit work indicates sound arrangements are in place. Any non compliance tends to be isolated and minor in nature.	Financial Transactions Testing on Payroll and Accounts Payable - Substantial Capital programme - Substantial Pension Arrangements – Substantial	Financial Transaction Testing – Payroll and Accounts Payable - Substantial	Financial Transaction Testing – Payroll and Accounts Payable - Substantial	Substantial	Financial Transactions Testing on Payroll and Accounts Payable.

Detailed Audit Coverage

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			Performance and Financial Management – Substantial				
Risk Management	8%	Sound arrangements are in place but no recent audit work has been carried out.	Risk Management Arrangements - Substantial			Substantial	Review of use of resources, framework and approach in IRMP.
Procurement and Contract Management	17%	Previous audits of procurement arrangements provided substantial assurance.		Partnership Working Arrangements - Moderate	Review of the contract management arrangements for a sample of key contracts	Moderate	Review of compliance with Standing Orders in relation to procurement.
Human Resource Management	17%	Good arrangements in place generally. No history of problems in this area.		Human Resource Management - Substantial		Substantial	Review of the process followed for the implementation of the Core HR system.
Asset Management	8%	No history of problems in this area. Audit due in the 3 year cycle.	Capital Programme - Substantial			Substantial	Review of corporate arrangements for managing non-PFI assets.
ICT	15%	Sound ICT Strategy in place.		General Data Protection Regulations - Substantial	Review of the cyber security arrangements in place for the service – moderate Review of the	Substantial	No audit work planned.

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					business continuity/disaster recovery arrangements in place for ICT the Service - Substantial		
Fraud and Corruption	2%	Low levels of fraud/irregularity historically. Small organisation means setting the right culture is more effective.	Payroll transaction testing – Substantial Financial Transaction Testing on Payroll and Accounts Payable - Substantial	Financial Transaction Testing – Payroll and Accounts Payable – Substantial Fuel - Moderate	Financial Transactions Testing on Payroll and Accounts Payable - Substantial	Substantial	Financial Transactions Testing on Payroll and Accounts Payable.
Information Governance	16%	Audit in relation to the implementation of GDPR has taken place and provided substantial assurance.		General Data Protection Regulation - Substantial	Compliance with General Data Protection Regulation – Substantial	Substantial	Review of the results of the DPO assurance work.
Business Continuity & Contingency Planning	20%	Sound arrangements are in place. However there is currently a consultation exercise underway which will result in a reorganisation.			Review of the business continuity/disaster recovery arrangements in place for the ICT Service - Substantial	Substantial	Review of the business continuity arrangements in relation to operational response.

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Performance Management	10%	No history of issues in this area.	Performance and Financial Management - Substantial		Performance Management Arrangements – Substantial Integrated Risk Management Plan, Response Review Report - Data Quality - Moderate	Substantial	No audit work planned
Payroll	5%	Recent audit work indicates mainly sound arrangements are in place.	Payroll transaction testing – Substantial Financial Transaction Testing on Payroll - Substantial	Transaction Testing – Payroll - Substantial	Transaction Testing – Payroll - Substantial	Substantial	Financial Transactions Testing on Payroll
Partnership Working	17%	A strong framework is in place to govern partnership working.		Partnership Working Arrangements - Moderate		Moderate	No audit work planned.
Project Management	15%	Sound project management arrangements are in place		Project Management Arrangements - Moderate		Moderate	Review of the process followed for the implementation of the Core HR system.

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2019/20		
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%
	4) Cost per £m Turnover	4) Lower than average within CIPFA Benchmarking Club

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2019/20		
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