

**TYNE AND WEAR FIRE AND RESCUE AUTHORITY**

**Item No 4**

**MEETING: GOVERNANCE COMMITTEE : 31 MAY 2019**

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**SUBJECT: INTERNAL AUDIT ANNUAL REPORT – 2018/2019**

**JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE (CLERK TO THE AUTHORITY) AND HEAD OF INTERNAL AUDIT**

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**1. Purpose of Report**

- 1.1** To consider the performance of Internal Audit for 2018/2019, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the 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**

- 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 Service is included. All of the KPI targets were achieved.

**4. Summary of Internal Audit Work**

- 4.1** The findings of the 2018/19 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:

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

<b>Categorisation of Risk</b>	<b>Definition</b>	<b>Number of Actions</b>
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.	24
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	10

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

**4.4** It should be noted that one audit originally planned to be completed in 2018/19 related to a review of the contract management arrangements in place for a sample of key contracts. At the request of the Chief Fire Officer this audit was deferred until 2019/20 and an audit originally scheduled for 2019/20 relating to a review of the process followed for the implementation of the Core HR system was subsequently brought forward.

**4.5** An additional, unplanned audit, was undertaken in 2018/19 following the identification of a totalling error in an Authority report dated 5<sup>th</sup> November 2018 detailing a major review of Response, centred around the Integrated Risk Management Plan (IRMP). Internal Audit was asked to review the reasons for the error and provide assurance on the wider content within the report.

## **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 2018/19, it is considered that overall throughout the service there continues to be a good internal control environment.

**7. Background Papers**

- 7.1** Internal Audit Operational Plan 2018/2019 - Governance Committee  
26th March 2018.

**8. Recommendations**

- 8.1** The Authority is requested to:

a) Note the Internal Audit Annual Report – 2018/2019

**Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2018/19**

**Efficiency and Effectiveness**

<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>	<b>Progress</b>
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	1) Achieved
	2) Percentage of draft reports issued within 15 days of the end of fieldwork.	2) 90%	2) Achieved (100%)
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	3) 82%	3) Achieved (100%)
	4) Cost per £m Turnover	4) Lower than average within CIPFA Benchmarking Club	4) Achieved - £417 v £569 average

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2018/19			
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	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)	1) Achieved (Average score for last 12 months is 1.0)
	2) Results of other Questionnaires	2) Results classed as 'Good'	2) None undertaken
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	3) No compliments or complaints received

### Internal Audit Coverage

Key Risk Area	Audits undertaken 2018/19	2016/17 Audit Opinion / Assurance	2017/18 Audit Opinion / Assurance	2018/19 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work
Corporate Governance	No audit work planned.	Review of compliance with new Standing Orders - Substantial			Substantial
Service / Business Planning, IRMP	No audit work planned.		Human Resource Management - Substantial		Substantial
Financial Management	Financial Transactions Testing on Payroll and Accounts Payable.	Financial Transactions Testing on Payroll and Accounts Payable - Substantial  Capital programme - Substantial  Pension Arrangements – Substantial  Performance and Financial Management – Substantial	Financial Transaction Testing – Payroll and Accounts Payable - Substantial	Financial Transactions Testing on Payroll and Accounts Payable - Substantial	Substantial
Risk Management	No audit work planned.	Risk Management Arrangements - Substantial			Substantial
Procurement and Contract Management	No audit work undertaken.		Partnership Working Arrangements - Moderate	Review of the contract management arrangements for a sample of key contracts – Deferred to 2019/20	Moderate

Key Risk Area	Audits undertaken 2018/19	2016/17 Audit Opinion / Assurance	2017/18 Audit Opinion / Assurance	2018/19 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work
Human Resource Management	No audit work planned.		Human Resource Management - Substantial	Implementation of Core HR - Moderate	Substantial
Asset Management	No audit work planned.	Capital Programme - Substantial			Substantial
ICT	Review of the cyber security arrangements in place for the Service.  Review of the business continuity/disaster recovery arrangements in place for the Service.		General Data Protection Regulations - Substantial	Review of the cyber security arrangements in place for the service – moderate  Review of the business continuity/disaster recovery arrangements in place for the Service - Substantial	Substantial
Fraud and Corruption	Financial Transactions Testing on Payroll and Accounts Payable.	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
Information Governance	Review the arrangements in place to ensure compliance with GDPR requirements.		General Data Protection Regulations - Substantial	Compliance with General Data Protection Regulation – Substantial	Substantial
Business Continuity & Contingency Planning	Review of the business continuity/disaster recovery			Review of the business continuity/disaster recovery arrangements in place for the Service - Substantial	Substantial

Key Risk Area	Audits undertaken 2018/19	2016/17 Audit Opinion / Assurance	2017/18 Audit Opinion / Assurance	2018/19 Audit Opinion / Assurance	Overall Opinion from Previous 3 years work
	arrangements in place for the Service.				
Performance Management	Review of process for gathering performance data and reporting on performance.	Performance and Financial Management - Substantial	Performance Management Arrangements (Deferred to 2018/19)	Performance Management Arrangements – Substantial  Integrated Risk Management Plan, Response Review Report - Data Quality - Moderate	Substantial
Payroll	Financial Transactions Testing on Payroll.	Payroll transaction testing – Substantial  Financial Transaction Testing on Payroll - Substantial	Transaction Testing – Payroll - Substantial	Financial Transactions Testing on Payroll - Substantial	Substantial
Partnership Working	No audit work planned.		Partnership Working Arrangements - Moderate		Moderate
Project Management	No audit work planned.		Project Management Arrangements - Moderate	Implementation of Core HR - Moderate	Moderate