
SUBJECT: INTERNAL AUDIT ANNUAL REPORT – 2017/2018

REPORT OF THE HEAD OF INTERNAL AUDIT

1. Purpose of Report

- 1.1 To consider the performance of Internal Audit for 2017/2018, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Service.

2. Key Performance Indicators

- 2.1 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.

3. Summary of Internal Audit Work

- 3.1 The findings of the 2017/18 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.
- 3.2 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
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	2

Categorisation of Risk	Definition	Number of Actions
	organisation's reputation. Prompt management action is required to remedy the situation.	
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.	42
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	9

- 3.3 The 2 significant risk agreed actions relate to an audit of the partnership arrangements with Impeller Assurance and Resilience Limited and Northumbria Police. These 2 actions have now been followed up with 1 action being fully implemented and the other action being no longer applicable.
- 3.4 The number of medium risk agreed actions has been higher in 2017/18 than is usual for the fire Service. This is due to 2 audits which covered relatively new or complex arrangements, those being partnership arrangements with Impeller Assurance and Resilience Limited and Northumbria Police, and arrangements in place to prepare for the new General Data Protection Regulation (GDPR). These two audits account for 31 of the medium risk agreed actions. Follow up of both of these audits have confirmed that 22 of the 31 agreed actions have been fully implemented with a further 6 actions being partially implemented.
- 3.5 The work undertaken did not identify any matters material to the overall internal control environment of the Service.
- 3.6 It should be noted that one audit originally planned to be complete in 2017/18 related to a review of the process for gathering performance data and reporting on performance. This audit could not be completed in 2017/18 due to officers within the relevant section being unavailable and so the audit was deferred until 2018/19. An audit of the review of the arrangements for the use of fuel at a sample of fire stations, originally scheduled for 2018/19, was subsequently brought forward to replace the deferred audit.

4. Compliance with the Public Sector Internal Audit Standards

- 4.1 Internal Audit continues to comply with the Public Sector Internal Audit Standards through the standards being built into audit working practices.

5. Conclusions

- 5.1 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 risk issues being identified.
- 5.2 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 2017/18, it is considered that overall throughout the Service there continues to be a good internal control environment.

6. Recommendation

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

Background Papers

Internal Audit Operational Plan 2017/2018 - Governance Committee
27th March 2017.

