

Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



AUDIT AND RISK COMMITTEE

25 OCTOBER 2019

County Durham and Darlington
Fire and Rescue Authority



INTERNAL AUDIT PROGRESS REPORT

REPORT OF THE HEAD OF INTERNAL AUDIT

Purpose of the Report

1. The purpose of this report is to advise Members on work undertaken by Internal Audit between 01 April 2019 and 31 March 2020. The report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operated across the Authority that have been subject to audit
 - Advise the Committee of significant issues where controls need to improve to effectively manage risks
 - Advise the Committee of any amendments to the approved Internal Audit plan
 - Advise the Committee of changes to audit processes and terminology
 - Track progress on the response to internal audit reports and the implementation of agreed internal audit recommendations
 - Provide an update on our performance indicators comparing actual performance against planned.

2. The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).

Appendix 1	Progress against the Internal Audit Plan
Appendix 2	Internal Audit Performance Indicators
Appendix 3*	Overdue Actions

Progress against planned work

3. A summary of the agreed plan showing the status of each audit as at 30 September 2019 is attached at Appendix 1.

4. The Appendix shows that 16 reviews including five that were carried forward from 2018/19 are scheduled to be completed in 2019/20, of these:
 - Four assurance reviews are complete (draft or final report);
 - Three assurance reviews are planned or in progress;
 - Six assurance reviews are not yet started
 - One advice and consultancy review is in progress
 - One advice and consultancy review is not started, and
 - The NFI review included under the Counter Fraud heading is complete.

5. The assurance level, if applicable, for each piece of work where a final report has been issued is shown in Appendix 1.

6. A summary of audit reports finalised in the period is given in the table below.

Audit Area	Brief Scope	Assurance Opinion
Key Financial Systems - 2018/19	An assurance review that considered the risks associated with key financial systems that include Income, Banking and Debtors, Ordering and Payments, Petty Cash, Company Credit Cards and the Payroll and Treasury Management activities.	Substantial
Governance Framework	Review to provide assurance required to fulfil statutory responsibility to publish the Annual Governance Statements (AGS) and ensure they remain current and reflect the significant corporate governance issues faced. Tracking of progress made against each of the significant governance issues will, however, continue through the year with updates provided for the Committee to consider.	N/A
Removeable Media	An assurance review that considered the following risk: <ul style="list-style-type: none"> • Loss or compromise of data or network 	Substantial
National Fraud Initiative (NFI)	A review that matches electronic data within and between public and private sector bodies with the intention of preventing and detecting fraud. For the NFI 2018/19, the Authority submitted, for analysis and matching, pensions, payroll and creditors data.	N/A

Amendments to Annual Audit Plan

7. The following amendment was made to the annual audit plan during the period.

Audit	Amendment	Reason
Firefighter Pension Scheme Administration	2 days from CDDFRS Assurance Framework	Advice and Consultancy review focused on the arrangements in place for ensuring that, when transferring to another Council, all Fire Authority pension data is accurately extracted from Durham County Council pension and payroll systems.

Outstanding management response to draft reports

8. No management responses to outstanding Draft Reports are overdue.

Response to Audit Recommendations

9. To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within actions plans within individual audit reports are followed up by internal audit. In addition, listings of all recommendations outstanding at the end of each month are produced and issued to a nominated representative to assist the Service in its own internal monitoring processes.
10. To allow progress made at the operational level to be tracked and monitored, the numbers of all recommendations made arising from each audit complete, and evidenced as implemented, are shown in Appendix 1. It should be noted that Internal Audit will not follow up Best Practice matters raised.
11. A summary of outstanding audit recommendations i.e. those not implemented within original agreed or revised target dates, as evidenced through Internal Audit follow up, for quarter ended 30 September 2019 is given in the table over page:

Risk	Actions	Total	Implemented			Overdue	Target	Overdue
Category	Raised	Due	Due	Not due	Total	Original	Revised	Revised
2018/19								
High	7	7	7	0	7	0	0	0
Medium	25	25	20	0	20	5	5	0
Total	32	32	27	0	27	5	5	0
2019/20								
High	7	0	0	0	0	0	0	0
Medium	1	0	0	0	0	0	0	0
Total	8	0	0	0	0	0	0	0

12. Five medium priority recommendations are overdue against original target implementation dates. Revised target dates have been agreed in all cases with none of these recommendations overdue. Details of the five recommendations are shown in Appendix 3 and are to be considered as a Part B Agenda Item.

Unplanned work carried out this quarter

13. Work relating to the administration of the Firefighter Pension Scheme as outlined in paragraph 7 was begun during the period.

Reports issued with a Limited Assurance Opinion

14. No reports have been issued that resulted in a Limited Assurance Opinion.

Corporate Governance

15. Further to approval of the Annual Governance Statement, the Corporate Governance action plan was updated to reflect the significant issues contained within it and actions being taken to address them. Progress updates will be prepared for the Committee to consider.

Counter Fraud

16. The Internal Audit Fraud and Corruption Annual Report that included a position statement on the NFI 2018/19 Exercise outcomes was presented to the Committee at its meeting on 31 July 2019. With all 558 data matches from pensions, payroll and creditors systems now reviewed, no instances of fraudulent or irregular activity, being perpetrated by Service employees, pensioners or their representatives have been identified.

Performance Indicators

17. A summary of agreed target performance indicators is given in Appendix 2.

Recommendation

18. Members are **asked to**
- **consider** the outturn position in delivering the internal audit plan for 2019/20 together with that made by managers in responding to the work of internal audit to gain assurance on the adequacy and effectiveness of the internal control environment.

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Appendix 1: Summary of the status of work undertaken and recommendations made and implemented

INTERNAL AUDIT SERVICES							High		Medium		Best Practice
Reviews – 2019-20	Work Schedule	Planned Days	Revised Days	Actual Days	Status	Assurance Opinion	M	I	M	I	M
Planned Work											
Strategic Risk Management	Q4	1	1		Not Started						
Assurance Management – AGS	Q1-4	1	1	0.5	AGS Complete	N/A	7	0	0	0	0
Key Financial Systems	Q3	20	20	0.2	Planned						
VAT	Q3	5	5		Not Started						
Vehicle / Plant Management	Q4	8	8		Not Started						
Asset Management / Building Maintenance	Q2	8	8	9.2	Draft Report						
Vital Fire Solutions	Q3	5	5		Not Started						
Mobile Working	Q2	5	5	4.6	In Progress						
Removeable Media	Q3	5	5	4.1	Final Report	Substantial	0	0	0	0	0
Unplanned Work											
Firefighter Pension Scheme Administration (Advice)	Q1-2	0	2	1.4	In Progress						
Counter Fraud											
NFI 2018/19	Q1-2	1	1	4.9	Final Report	N/A	0	0	0	0	0
Audit Planning and Reporting											
Audit Planning	Q1-4	2	2	0.6	In Progress	N/A					
Advice and Reporting	Q1-4	8	8	4.6	In Progress	N/A					
Follow Up	Q1-4	2	2	0.2	In Progress	N/A					
Brought Forward Reviews – 2018-19											
Key Financial Systems	Q1	0	0	0.3	Final Report	Substantial	0	0	1	0	7
Development of CDDFRS Assurance Framework (Advice)	Q1-4	5	3		Not Started						
Firewatch	Q3	4	4		Not Started						
Recruitment & Selection	Q3	6	6		Not Started						
General Data Protection Regulation (GDPR)	Q2-3	0	0	0.7	Planned						
TOTAL		86	86	31.3			7	0	1	0	7

Note: The reports from 2018/19 were finalised during the 2019/20 reporting period and actions are being tracked accordingly.

Appendix 2 Performance Indicators for 2019/20

Efficiency		Objective: To provide maximum assurance to inform the annual audit opinion	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 March 2020	90% (Quarterly)	31% (5 out of 16 reviews completed)
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90% (Quarterly)	100% (5 reports issued) 4 days
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also to be reported for information	95% (Quarterly)	100% (4 reports issued) 1 day
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100% (7 TOR's issued)
Quality		Objective: To ensure that the service is effective and adding value	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	100% (15 accepted out of 15 made)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good Average score is also reported for information	100% (Quarterly)	100% (1 out of 1 returned) Overall average score 4.58
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	50% (1 return from 2 surveys issued in 2019/20)