

**Safest People, Safest Places**

County Durham and Darlington  
**Fire and Rescue Authority**



## **AUDIT AND RISK COMMITTEE**

**18 FEBRUARY 2020**

**AUDIT PLAN 2020/21**

County Durham and Darlington  
**Fire and Rescue Authority**



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## **REPORT OF THE HEAD OF INTERNAL AUDIT**

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### **Purpose of the Report**

1. The purpose of this report is to provide the Audit and Risk Committee with an opportunity to view the content of the Internal Audit plan for the period 01 April 2020 to 31 March 2021.
2. The plan was considered and agreed by the Service Leadership Team at its meeting on 16 January 2020.

### **Statutory Background to Internal Audit**

3. The Treasurer as the Authority's Chief Financial Officer has a duty under S151 of the Local Government Act 1972 to maintain an appropriate framework of control over the Authority's financial affairs. Part of the process by which the S151 Officer meets that requirement is through assurances provided by Internal Audit.
4. Internal audit's function is established by the Accounts and Audit Regulations 2015, which are supported by professional standards for internal audit in the public sector and an advisory note specifically for local government in the United Kingdom.

### **Role of Internal Audit**

5. Internal Audit is an assurance function that provides an independent and objective opinion to the Authority on governance, control, and risk management by evaluating their effectiveness in achieving the Authority's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
6. The Head of Internal Audit is required by professional standards to provide an opinion addressing governance, risk management and control and thereby to provide assurance that the risk to the objectives of County Durham and Darlington Fire and Rescue Authority are being adequately and effectively controlled.
7. The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Head of Internal Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

8. The regulations therefore establish the requirement for an internal audit function and its provision of an opinion on governance, risk management and control processes, following public sector internal audit standards. Professional standards likewise mandate the provision of such an opinion. They also recognise that internal audit involves the provision of such an opinion. They also recognise that internal audit involves the provision of both assurance and consultancy services, but assurance is its primary function and any consultancy work must inform the assurance opinion.
9. The internal audit plan is designed to provide the evidence necessary to support an opinion on governance, risk management and control needs to encompass the following:
  - Coverage of the key components of each part of the opinion, namely, governance, risk management and control;
  - Sufficient coverage over operations as a whole so that a fair assessment may be made across the Service;
  - Coverage of the controls that serve to mitigate the most significant risks to an acceptable level;
  - Coverage of the controls that operate most broadly to mitigate the most significant risks in the greatest number of individual instances to an acceptable level; and
  - Follow up of the actions agreed by management to mitigate risks identified through previous audit activity.
10. Because the overall opinion covers a 12 month financial period, the evidence will relate to the controls in operation for that period.
11. External Audit also rely on the work of Internal Audit in terms of their own governance and assurance work, where applicable and also expect Internal Audit coverage to be adequate in terms of risk faced by the Authority.
12. The agreed aims and terms of reference for Internal Audit are included in the Internal Audit Charter, approved by Service Leadership Team at its meeting on 19 June 2019 and the Audit and Risk Committee on 31 July 2019. The Charter identifies the service standards our customers can expect, how areas for audit review are determined, our audit approach and how we agree and report upon recommendations.

## **Responsibilities of Management**

13. Internal Audit is a review and assurance activity and should not be seen as a substitute for introducing and maintaining good internal procedures. Managers in the Authority are responsible for establishing and maintaining a proper and effective control environment and for managing risk in areas for which they have responsibility. Control is an integral part of managing operations and as such Internal Audit independently reviews how effectively management discharges this aspect of its responsibilities by evaluating the effectiveness of systems of internal control and providing objective analysis and constructive recommendations. Management retain full ownership and responsibility for the implementation of any such recommendations.

## **Resources Available in 2020/21**

14. The Internal Audit plan, set out in Appendix 1 of this report, is based on the level of Internal Audit resource incorporated in the Service Level Agreement between Durham County Council and the Fire Authority covering the period 01 April 2020 to 31 March 2022 and will deliver 71 productive audit days in 2020/21.
15. In accordance with our agreed risk based audit approach the scope of each review will be determined in discussion with a nominated key contact as part of the preparation stage of the audit in order to identify and agree key risks and expected controls and to ensure that audit resources are used as effectively as possible.

## **Recommendation**

16. It is recommended that in considering the content of the report, the Audit and Risk Committee:
  - Agrees the Internal Audit Plan for 2020/21 attached at Appendix 1 subject to any recommendations that they might like to make to amend / reinforce the plan.
  - Notes that Service Leadership Team considered and agreed the Internal Audit Plan for 2020/21 as presented at its meeting on 16 January 2020.

Stephen Carter, Audit Manager, 03000 269665

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**Appendix 1: Internal Audit Plan 2020/21**

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<b>ASSURANCE REVIEWS</b>	
Strategic Risk Management	1
Assurance Management - AGS	1
Key Financial Systems	20
Performance - Data Quality	6
Ethics	6
Procurement & Contracts	6
ICT Strategy	5
ICT Procurement	5
Telephony Management	5
<b>Counter Fraud</b>	
NFI	4
<b>Audit Planning and Reporting</b>	
Audit Planning, Advice, Reporting and Follow Up	12
<b>TOTAL</b>	<b>71</b>

## Appendix 2: Internal Audit Plan 2020/21 - Review Scopes

Review	RAG Rating	Scope	Days
Strategic Risk Management	2018/19	<p>Internal Audit is required to place an annual assurance over the Authority's Risk Management arrangements. Attendance at the Performance and Programme Board and Service Leadership Team is considered the most effective mechanism to achieve this.</p> <p>In addition, monitoring of the content and revision of the Strategic Risk Register at Audit and Risk Committee together with reviews of specific risks / activities associated with each audit undertaken provide additional assurance over arrangements in operation.</p>	1
Corporate Governance - AGS	2018/19 N/A	This work is aimed at ensuring the Authority receives annual assurance required to be able to fulfil its statutory responsibility to publish an Annual Governance Statement (AGS) alongside its Annual Statements of Accounts, providing external accountability for how the Authority conducts its business. It includes a review of the AGS to ensure it remains current and tracking of action taken by the Service in response to significant corporate governance issues and is considered the most effective mechanism to achieve this.	1
Key Financial Systems	2018/19	Internal Audit is required to place an annual assurance over the Authority's Key Financial Systems. Review considers the management of risks associated with Income, Banking and Debtors, Ordering and Payments, Petty Cash, Company Credit Cards, Payroll, Treasury Management, Financial Planning and Budgetary Control arrangements.	20
Performance - Data Quality	New Activity	An assurance review that considers the extent to which the Authority's Data Quality Performance Management Framework is effective in ensuring that performance indicators are captured and reported accurately.	6
Ethics	2016/17	<p>An assurance review that covers a number of activities that underpin the Authority's Ethical Governance Framework. On this occasion the review will consider arrangements for:</p> <ul style="list-style-type: none"> <li>• Declarations of a gift, hospitality or conflict of interest</li> <li>• Responding correctly to Freedom of Information requests &amp;</li> <li>• Members Allowance payments.</li> </ul>	6
Procurement & Contracts	2016/17	A review that considers the effectiveness of the Authority's Procurement and Contract Management arrangements in terms of adherence to legislation, best practice, Contract Procedure Rules, Financial Regulations and Financial Management Standards, represent value for money and are undertaken in a consistent, transparent, open and fair way.	6

<b>Review</b>	<b>RAG Rating</b>	<b>Scope</b>	<b>Days</b>
ICT Strategy	2014/15	<p>A review that considers the effectiveness of the IT Strategy in ensuring that the Service has developed a plan which defines the objectives, principles and future organisational requirements for IT provision, and which will consider the following risks:</p> <ul style="list-style-type: none"> <li>• The Organisation does not have an IT Strategy</li> <li>• The IT Strategy is not in line with the corporate objectives</li> <li>• The strategy has not been documented</li> <li>• The strategy does not clearly show goals and objectives and how they will be achieved</li> <li>• Interested and affected parties are not aware of the strategy</li> <li>• The strategy fails to define the aims of the organisation and how they will achieve them</li> <li>• The strategy does not reflect changing business needs</li> <li>• The strategy does not contain time frames</li> <li>• The strategy is not implemented</li> </ul>	5
ICT Procurement	New Activity	A review that considers value for money in relation to ICT Procurement by reference / comparison against a selection of activities captured within the National Fire Chief's Council basket of indicators (full scope to be developed)	5
Telephony Management	New Activity	A review that considers the risks associated with the Authority's Telephony Management arrangements (full scope to be developed)	5
<b>Counter Fraud</b>			
NFI	NFI 2018 N/A	The Authority takes a proactive approach in relation to the prevention and identification of potential irregularity through participation within the National Fraud Initiative. Internal Audit acting in capacity of key contact extracts payments data in relation to pensions, payroll and creditors for submission to the Cabinet Office ensuring that this is done in line with data protection requirements. Internal Audit reviews feedback received from the exercise to identify any potential irregularities for the service to investigate before ensuring that outcomes from the investigation of matches are recorded on the NFI web application promptly and accurately.	4
<b>Planning and Reporting</b>			
Audit Planning, Advice, Reporting and Follow Up	N/A	This activity supports the Authority through the provision of our quarterly progress and annual reporting arrangements to the Audit and Risk Committee. It includes regular progress meetings with the Head of Corporate Resources to discuss delivery of planned work and any issues of current importance and the verification of action taken by management in implementing agreed Internal Audit recommendations.	12
<b>TOTAL</b>			<b>71</b>

Note: RAG Rating References  
Red - Limited  
Amber - Moderate  
Green - Substantial