Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority

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AUDIT AND RISK COMMITTEE

22 May 2018

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 2017 and 31 March 2018. 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 Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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 31 March 2018 is attached at Appendix 1.

4. The Appendix shows that nine reviews including one that was carried forward from 2016/17 are planned to be completed, of these:
    - Seven assurance reviews are complete and one assurance review is in progress;
    - One Counter Fraud review is complete.
    - Two reviews (FireWatch and Development of CDDFRS Assurance Framework) have been deferred to 2018/19.

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 and over page.

Audit Area	Brief Scope	Assurance Opinion
Firewall Security (Final issued 10 May 2018)	An assurance review that considered the risk that information assets / data are not adequately protected from corruption, loss, or theft.	Moderate

Audit Area	Brief Scope	Assurance Opinion
Key Financial Systems	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.	Moderate
Risk Management	Assurance on the effectiveness of the Authority's risk management arrangements has been provided through the identification of operational risks and effectiveness of mitigating controls within each review undertaken. In addition, a review of Service Strategic Risk Management arrangements that considered the Service Performance & Programme Board's consideration of the content, scoring and refreshing of activities included in the strategic risk register was undertaken.	N/A
Mobile Device Security (Final issued 10 May 2018)	An assurance review that considered the following risks: • Data leakage and disclosure of confidential data due to device loss, device theft, theft of data from devices or interception of data in transit, including wireless connections. • Malware propagation. • Incorrect application of corporate security policies due to lack of awareness. • Mobile devices not being identified, recorded, tracked, and protected.	Substantial

Amendments to Annual Audit Plan

7. The following amendments to the annual audit plan were agreed this quarter.

Audit	Amendment	Reason
FireWatch	4 days to contingency	Agreed review be deferred until the system upgrade which is due has been completed.
Development of CDDFRS Assurance Framework	7 days to contingency	Agreed review be deferred until HMICFRS has confirmed the expectations of its inspection programme and framework 2018/19.

Outstanding management response to draft reports

8. There are no management responses to outstanding Draft Reports 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 31 March 2018 is given in the table below:

Risk Category	Actions Raised	Total Due	Implemented			Overdue Original	Target Revised	Overdue Revised
			(Due)	(Not due)	Total			
2016/17								
High	5	5	5	0	5	0	0	0
Medium	27	27	26	0	26	1	1	0
Total	**32**	**32**	**31**	**0**	**31**	**1**	**1**	**0**
2017/18								
High	6	0	0	0	0	0	0	0
Medium	13	10	7	0	0	3	3	0
Total	**19**	**10**	**7**	**0**	**0**	**3**	**3**	**0**

12. Four medium priority recommendations are overdue against original target implementation dates. Revised target dates have been agreed in each case and no recommendations are overdue. Details of the four recommendations are shown in Appendix 3 and are to be considered as a Part B Agenda Item.

Unplanned work carried out this quarter

13. No unplanned work has been undertaken during the period.

Reports issued with a Limited Assurance Opinion

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

Corporate Governance

15. The Corporate Governance action plan was considered by the Audit and Risk Committee at its meeting in February 2018 and has been further updated for the meeting in May. It is a key means of helping to inform the Draft Annual Governance Statement that is to be prepared for the Committee to consider at its scheduled meeting in July.

Counter Fraud

16. The Audit and Fraud Manager met with the Head of Corporate Resources to review whether there had been any instances of Fraud investigated in relation to the Service's own employees. The outcome of this review will help to inform the Annual Fraud and Corruption Report that will also be presented to the Committee at its meeting in May.

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 2017/18 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.

Stephen Carter, Audit and Fraud Manager, 03000 269665

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

INTERNAL AUDIT SERVICES							High		Medium		Best Practice
Reviews – 2017-18	Work Schedule	Planned Days	Revised Days	Actual Days	Status	Assurance Opinion	M	I	M	I	M
Strategic Risk Management	Q4	1	1	0.8	**Complete**	**N/A**					
Assurance Management – AGS	Q1-4	1	1	2.0	**AGS Complete**	**N/A**	6				
Key Financial Systems	Q3	20	20	20.6	**Final Report**	**Moderate**			5	3	5
Business Continuity Planning		8	8	1.6	In Progress						
Firewatch		5	5	1.1	**Defer 2018/19**						
ICT Systems Management											
Firewall	Q3	5	5	4.8	**Final Report**	**Moderate**					
Mobile Device Security	Q4	5	5	5.0	**Final Report**	**Substantial**					
Patch Management	Q4	5	5	5.3	**Final Report**	**Moderate**			2	1	2
Unplanned Work											
Development of CDDFRS Assurance Framework	Q4	0	8	0.7	**Defer 2018/19**						
Counter Fraud											
NFI	Q1-2	2	2	1.7	**Final Report**	**N/A**					
Audit Planning and Reporting											
Audit Planning	Q2-4	2	2	1.1	**Complete**						
Advice and Reporting	Q1-4	8	8	7.7	**Complete**						
Follow Up	Q1-4	2	2	0.9	**Complete**						
Contingency		8	0								
Brought Forward Reviews – 2016-17											
SQL Server	Q1-2			3.4	**Final Report**	**Moderate**			6	3	2
TOTAL		**72**	**72**	**56.7**			**6**		**13**	**7**	**9**

Note: The report from 2016/17 was finalised during the 2017/18 reporting period and actions are being tracked accordingly.

Appendix 2 Performance Indicators for 2017/18

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 2018	90% (Quarterly)	89% (8 out of 9 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% (6 reports issued) 7 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% (6 reports issued) 2 days
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% (28 accepted out of 28 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% (3 out of 3 returned) Overall average score 4.56
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	100% (3 return from 3 surveys issued in 2017/18)