



AUDIT AND RISK COMMITTEE

21 MAY 2019

AUDIT PLAN 2019/20

REPORT OF THE HEAD OF INTERNAL AUDIT

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 2019 to 31 March 2020.
2. The plan was considered and agreed by the Service Leadership Team at its meeting held on 24 April 2019.

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. The Accounts and Audit Regulations 2015 place a requirement upon every local authority to undertake an adequate and effective Internal Audit of its accounting records and its system of internal control.

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. 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.
7. The agreed aims and terms of reference for Internal Audit are included in the Internal Audit Charter, approved by the Audit and Risk Committee on 26 July 2018. 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

8. 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 2019/20

9. 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 2018 to 31 March 2020 and will deliver 71 productive audit days in 2019/20.
10. 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

11. It is recommended that in considering the content of the report, the Audit and Risk Committee:
 - Agrees the Internal Audit Plan for 2019/20 attached at Appendix 1 subject to any recommendations that they might like to make to amend / reinforce the Plan.

Stephen Carter, Audit and Fraud Manager, 03000 269665

Appendix 1: Internal Audit Plan 2019/20

ASSURANCE REVIEWS	
Strategic Risk Management	1
Assurance Management - AGS	1
Key Financial Systems	20
VAT	5
Vehicle / Plant Management	8
Asset Management / Building Maintenance	8
Vital Fire Solutions	5
Mobile Working	5
Removeable Media	5
Counter Fraud	
NFI	1
Audit Planning and Reporting	
Audit Planning, Advice, Reporting and Follow Up	12
TOTAL	71

Appendix 2: Internal Audit Plan 2019/20 - Review Scopes

Review	RAG Rating	Scope	Days
Strategic Risk Management	2018/19	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.	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
VAT	New Activity	This Assurance review will consider the effectiveness of Service VAT arrangements in managing risk. As a new activity the exact scope of the review will need to be discussed and agreed with the nominated key contact.	5
Vehicle / Plant Management	2015/16	This Assurance review will consider the effectiveness of Service arrangements in managing risk including some or all of the following: <ul style="list-style-type: none"> • Vehicle and plant failure or breakdown. • Unsafe vehicles and plant due to a lack of maintenance • DVSA and CFOA standards are not met. • Loss or unavailability of testing and maintenance records. • Costs not charged to appropriate vehicle or plant cost centre • Parts are not cost effectively acquired • Purchase hire costs 	8
Asset Management / Building Maintenance	New Activity	This Assurance review will consider the effectiveness of Service arrangements in managing risk including some or all of the following: <ul style="list-style-type: none"> • The estate is not fit for purpose. • Inefficient energy management. • Contracts legislation including EU is not adhered to. • Ineffective budgetary control. • Performance is not properly managed and monitored. • Not meeting H&S requirements • Failure to maintain/repairs not identified or actioned, • Maintenance costs 	8

Review	RAG Rating	Scope	Days
Vital Fire Solutions	New Activity	This Assurance review will consider the effectiveness of Service arrangements in managing risk associated with Vital Fire Solutions. As a new activity the exact scope of the review will need to be discussed and agreed with the nominated key contact.	5
Mobile Working	2013/14	This Assurance review will consider the effectiveness of security arrangements in place for enabling individuals to work remotely and in ensuring that only approved removable media is used.	5
Removeable Media	New Activity	This Assurance review will consider the effectiveness of Service arrangements in managing risk associated with Removeable Media. As a new activity the exact scope of the review will need to be discussed and agreed with the nominated key contact.	5
Counter Fraud			
NFI	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.	1
Planning and Reporting			
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
TOTAL			71

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