



Safest People, Safest Places

Audit and Risk Committee

25 February 2021

Audit Plan 2021/22

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 2021 to 31 March 2022.
2. The plan will be considered and agreed by the Service Leadership Team at its meeting on 12 March 2021.

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 the Audit and Risk Committee on 25 February 2021 and scheduled to be considered by the Service Leadership Team at its meeting on 12 March 2021. 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 2021/22

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 2021/22.
15. In addition, four productive days will also be provided during 2021/22 to evaluate the control framework in place on the management of the risks associated with General Data Protection Regulations (GDPR).
16. 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

17. It is recommended that in considering the content of the report, the Audit and Risk Committee:
 - Agrees the Internal Audit Plan for 2021/22 attached at Appendix 1 subject to any recommendations that they might like to make to amend / reinforce the plan.
 - Notes that Service Leadership Team will consider the Internal Audit Plan for 2021/22 at its meeting on 12 March 2021.

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Appendix 1: Internal Audit Plan 2021/22

ASSURANCE REVIEWS	
Strategic Risk Management	1
Assurance Management - AGS	1
Key Financial Systems	20
Performance - Data Quality	6
Business Continuity Planning	6
Absence Management	8
Physical Security	5
ICT Budget Management – Capital Planning	5
User Education & Awareness	5
Counter Fraud	
NFI	2
Audit Planning and Reporting	
Audit Planning, Advice, Reporting and Follow Up	12
TOTAL	71

Appendix 2: Internal Audit Plan 2021/22 - Review Scopes

Review	RAG Rating	Scope	Days
Strategic Risk Management	2019/20	<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	2019/20 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	2019/20	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
Business Continuity Planning	2017/18	An assurance review which considers whether CDDFRS can continue to provide critical services in the event of an interruption and complies with the requirements of the Civil Contingencies Act.	6
Absence Management	2018/19	An Assurance review that considers the extent to which the Authority is effective in the management of sickness absence across the Service.	8
General Data Protection Regulations (GDPR)	New Activity	An assurance review to evaluate the control framework in place on the management of the risks associated with General Data Protection Regulations (GDPR).	4

Review	RAG Rating	Scope	Days
Physical Security	2014/15	An assurance review that considers the management of the risks associated with the physical security arrangements in place for buildings and/or data/information.	5
ICT Budget Management – Capital Planning	New Activity	Scope to be subject to agreement	5
User Education & Awareness	New Activity	Scope to be subject to agreement	5
Counter Fraud			
NFI	NFI 2020 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.	2
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