

County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

28 September 2022

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 2021 and 31 March 2022.
2. 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.
3. 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 Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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

4. A summary of the agreed plan (which covers the 12-month period 01 April 2021 to 31 March 2022) showing the status of each audit as at 31 March 2022 is attached at Appendix 1.

5. Delivery of the audit plan had been impacted following the onset of the coronavirus pandemic which resulted in our agreeing to a new way of working with the Fire Service through remote access to records been obtained electronically by email, and meetings were held remotely via either Teams or telephone. Where visits needed to be made, risk assessments were carried out for individual and location which identified the safeguards required.
6. This new way of working resulted in additional time being incurred for the completion of audit activities and this is reflected within Appendix 1.
7. The Appendix shows that 20 reviews including six that were carried forward from 2020/21 were scheduled to be completed in 2021/22, of these:
 - Seventeen assurance reviews are complete;
 - One assurance review is in progress;
 - One assurance review has been deferred; and
 - One Counter Fraud review is complete
8. The assurance level, if applicable, for each piece of work where a final report has been issued is shown in Appendix 1.
9. Eight reviews were completed since the previous progress report was presented to the Audit and Finance Committee on 27th January 2022. A summary of all final assurance based, and other audit reports issued during the period through to the end March 2022 is shown in the table below:

Audit Area	Brief Scope	Assurance Opinion
Treasury Management Arrangements	<p>An assurance review which provided assurance on the management of the following risks:</p> <ul style="list-style-type: none"> • Ineffective management of authority funds • Loss of funds • Information and data are not protected from loss, damage or unauthorised disclosure • Legislation relevant to the service is not known and / or is not incorporated into working practices. 	Substantial
Attendance Management (Absence Management)	<p>An assurance review which considered the risks associated with Absence(s) not being accurately recorded and reviewed and the risk that there are ineffective absence monitoring and reporting arrangements in place.</p>	Substantial
ICT Budget Management - Capital Planning	<p>An assurance review which provided assurance on the management of the following risks:</p> <ul style="list-style-type: none"> • Capital budgets do not support strategic and operational objectives. • Capital budgets are not effectively managed. 	Substantial
Payroll	<p>An assurance review which provided assurance against:</p> <ul style="list-style-type: none"> • starters and leavers • mileage claims • overtime • statutory deductions • changes in pay • maternity payments • paternity payments • honorariums 	Substantial
Data Quality	<p>An assurance review of the operational risk register</p>	Substantial
Business Continuity Planning	<p>This review focussed on confirming that adequate processes and controls are in place and working effectively; including to ensure that critical services can continue to be provided in the event of disruption.</p>	Moderate

Key Financial Systems (Creditors, Debtors, Income)	Previously, the Key Financial Systems audit also included payroll, budgetary control and treasury management arrangements within its scope. However, from 2021/22, these areas are each subject to separate reviews, with the scope for this audit covering income and purchasing.	Substantial
Review of HR Related GDPR Arrangements	The objective of the audit was to review the General Data Protection Regulation (GDPR) Arrangements in Human Resources (HR) with a focus on document retention procedures and ongoing work to review documentation currently held.	Moderate

Amendments to Annual Audit Plan

10. No amendments were made to the plan during the period

Outstanding management response to draft reports

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

Response to Audit Recommendations

12. 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.
13. 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.
14. 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 period ended 31 March 2022 is given in the table below:

Risk Category	Actions Raised	Total Due	Actions Implemented	Overdue Original	Target Revised	Overdue Revised
2020/21						
High	8	8	8	0	0	0
Medium	11	11	9	2	2	2
Total	19	19	17	2	2	2
2021/22						
High	8	8	8	0	0	0
Medium	25	17	11	6	6	1
Total	33	25	19	6	6	1

15. Eight medium priority recommendations are overdue against original target implementation dates. Revised targets have been agreed in five cases with three recommendations overdue. Details of the eight recommendations are shown in Appendix 3 as a Part B Agenda Item.

Reports issued with a Limited Assurance Opinion

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

Corporate Governance

17. The Annual Governance Statement is due to be approved at the November meeting of the Committee. Once approved the Corporate Governance action plan will be updated as a means of informing the Authority's Annual Governance Statement 2022/23.

Counter Fraud

18. The Audit and Finance Committee considered the Annual Fraud and Corruption report at its meeting of 28 September 2022. Internal Audit will continue to work with the Authority through the year in ensuring the robustness of arrangements in place.

Performance Indicators

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

Recommendation

20. Members are **asked to**
 - **consider** the outturn position in delivering the internal audit plan for 2021/22 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 – 2021-22	Work Schedule	Planned Days	Revised Days	Actual Days	Status	Assurance Opinion	M	I	M	I	M
Planned Work											
Assurance Management – AGS	Q1-4	1	1	1	Complete	N/A	8	8	0	0	0
Key Financial Systems (Creditors, Debtors, Income)	Q4	20	10	12	Final Report	Substantial	0	0	0	0	1
Payroll	Q	0	6	4	Final Report	Substantial					
Treasury Management	Q	0	4	5.1	Final Report	Substantial					
Data Quality	Q4	6	6	6.5	Final Report	Substantial	0	0	1	1	2
Strategic Risk Management	Q1-4	1	1	0.1	Complete	N/A					
Absence Management	Q3	8	8	12.5	Final Report	Substantial	0	0	2	2	6
Physical Security	Q3	5	5	4.5	In Progress						
Business Continuity Planning	Q4	6	6	6.9	Final Report	Moderate	0	0	5	1	3
ICT Budget Management – Capital Planning	Q4	5	5	5.7	Final Report	Substantial	0	0	0	0	0
Review of HR Related GDPR Arrangements	Q4	4	4	0	Final Report	Moderate	0	0	2	0	3
Review of GDPR Management and Principles in IT	Q4	5	5	1.3	Deferred						
Unplanned Work											
Review of CIPFA Financial Management Code	Qtr1	0	1	1	Final Report	N/A	0	0	0	0	4
Counter Fraud											
NFI	Q3-4	2	2	1.3	Final Report	N/A	0	0	0	0	0
Audit Planning and Reporting											
Service Support	Q1-4	12	11	11.5	Complete	N/A					
Brought Forward Reviews – 2020-21											
Key Financial Systems	Q1	5	5	7	Final Report	Substantial	0	0	3	2	9
Procurement and Contracts	Q1	2	2	4	Final Report	Substantial	0	0	1	1	0
ICT Procurement	Q1	4	4	6	Final Report	Moderate	0	0	3	1	2
Identity and Access Management	Q1	4	4	6	Final Report	Moderate	0	0	1	1	0
User Education and Awareness	Q1	4	4	6	Final Report	Moderate	0	0	6	1	0
Vital Fire Solutions	Q1	0.5	0.5	0.1	Final Report	Substantial	0	0	1	1	0
TOTAL		94.50	94.50	102.5			8	8	25	11	30

Appendix 2 Performance Indicators for 2021/22

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 2022	90% (Quarterly)	94.7% (18 out of 19 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% (16 reports issued) 6 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% (16 reports issued) 1.6 days
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100% (18 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% (63 accepted out of 63 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% (11 out of 15 returned) Overall average score 4.5
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	86.7% (13 returned from 15 surveys issued in 2021/22)