

County Durham and Darlington  
Fire and Rescue Authority



**Safest People, Safest Places**

## **Audit and Finance Committee**

**31 March 2022**

### **Audit Plan 2022/23**

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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 Finance Committee with an opportunity to view the content of the Internal Audit plan for the period 01 April 2022 to 31 March 2023.
2. The plan was considered and agreed by the Senior Leadership Team at its meeting on 08 March 2022.

### **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 reviewed considered by the Service Leadership Team at its meeting on 08 March 2022. 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 2022/23**

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 2022 to 31 March 2024 and will deliver 72 productive audit days in 2022/23.
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 Finance Committee:
  - Agrees the Internal Audit Plan for 2022/23 attached at Appendix 1 subject to any recommendations that they might like to make to amend / reinforce the plan.

Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager, 03000 269668

**Appendix 1: Internal Audit Plan 2022/23**

|  |           |
|--|-----------|
| <b>ASSURANCE REVIEWS</b>   |           |
| <b>Corporate Governance Risks</b>  |           |
| <b>Strategic Risk Management</b>   | 1         |
| <b>Assurance Management - AGS</b>  | 1         |
| <b>Performance - Data Quality</b>  | 6         |
| <b>Ethics</b>  | 5         |
| <b>Counter Fraud</b>   |           |
| <b>Counter Fraud Awareness</b>   | 1         |
| <b>NFI</b>   | 4         |
| <b>Financial Management</b>  |           |
| <b>Key Financial Systems - Debtors, Creditors, Income, Bank Reconciliation and VAT</b> | 10        |
| <b>Payroll</b>   | 8         |
| <b>Treasury Management</b>   | 4         |
| <b>Medium Term Financial Plan</b>  | 5         |
| <b>ICT System Management</b>   | 15        |
| <b>Management</b>  |           |
| <b>Audit Planning, Advice, Reporting and Follow Up</b>                                 | 12        |
| <b>TOTAL</b>   | <b>72</b> |

## Appendix 2: Internal Audit Plan 2022/23 - Review Scopes

| Review                            | RAG Rating     | Scope   | Days |
|-----------------------------------|----------------|---|------|
| <b>Corporate Governance</b>       |                |   |      |
| <b>Strategic Risk Management</b>  | 2020/21        | <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 Finance Committee together with reviews of specific risks / activities associated with each audit undertaken provide additional assurance over arrangements in operation.</p>  | 1    |
| <b>Corporate Governance - AGS</b> | 2020/21<br>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    |
| <b>Performance - Data Quality</b> | Various        | This review 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. An area for review needs to be determined  | 6    |
| <b>Ethical Culture</b>            | Various        | This review covers a number of activities under the generic heading of Ethical Governance and an area for review needs to be determined   | 5    |

|                                |                       |   |    |
|--------------------------------|-----------------------|---|----|
| <b>Counter Fraud</b>           |                       |   |    |
| <b>Counter Fraud Awareness</b> | 20/21<br>N/A          | An activity aimed to provide proactive support to the Authority in raising Corporate Fraud Awareness.   | 1  |
| <b>NFI</b>                     | NFI<br>2020/21<br>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>Financial Management</b>    |                       |   |    |
| <b>Key Financial Systems</b>   | 2020/21               | 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.   | 10 |
| <b>Payroll</b>                 | 2020/21               | Internal Audit is required to place an annual assurance over the Key Financial Systems. This review considers the management of risks associated with Payroll it includes starters and leavers processes, adjustments to payments for promotions and honoraria, statutory and other deductions, and that payment is made in accordance with agreed timescales to Officers, staff and external bodies such as HMRC.  | 8  |
| <b>Treasury Management</b>     | 2020/21               | An Assurance review that considers the management of risks associated with the Treasury Management function. It is an annual review that looks at evidence held in support of investments and loans processed in year, that these have been undertaken in accordance with the Treasury Management Policy and that transactions are correctly posted.  | 4  |
| <b>MTFP</b>                    | New Activity          | Internal Audit is required to place an annual assurance over the Key Financial Systems. This review considers the management of risks associated with the MTFP arrangements.  | 5  |
| <b>ICT System Management</b>   | Various               | Internal Audit is required to place an annual assurance over the Authority's IT Systems. Specific areas for review in 2022/23 are to be determined.   | 15 |

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|--|-----|--|-----------|
| <b>Planning and Reporting</b>                          |     |  |           |
| <b>Audit Planning, Advice, Reporting and Follow Up</b> | N/A | This activity supports the Authority through the provision of our quarterly progress and annual reporting arrangements to the Audit and Finance 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>72</b> |

Note: RAG Rating References

Red - Limited

Amber - Moderate

Green - Substantial

