

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item 9

MEETING: GOVERNANCE COMMITTEE – 22 MARCH 2010

SUBJECT: INTERNAL AUDIT SERVICES – INTERNAL AUDIT OPERATIONAL PLAN FOR 2010/2011

REPORT OF THE FINANCE OFFICER

1. Purpose of Report

- 1.1 To enable the Governance Committee of the Fire and Rescue Authority to consider and endorse the proposed Internal Audit Operational Plan for 2010/2011.

2. Background

- 2.1 The Terms of Reference of the Committee include '*consider and endorse the Internal Audit Strategy and Operational Plan, and monitor performance*'. The Internal Audit Strategy was approved by the Governance Committee on 31st March 2008. It is considered that the Internal Audit Strategy remains appropriate and therefore is not presented in this report.

3. Recommendation

- 3.1 The Governance Committee is invited to consider and endorse the proposed Internal Audit Operational Plan attached at Appendix A.

4. Background Papers

Minutes of Tyne and Wear Fire and Rescue Authority Governance Committee 31st March 2008.

Tyne and Wear Fire and Rescue Authority**Internal Audit Operational Plan for 2010/2011****1. Introduction**

- 1.1 This document sets out the division of responsibilities between managers and Internal Audit Services, and presents the Internal Audit Operational Plan and key performance measures for 2010/2011.

2. Division of Responsibilities

- 2.1 It is the responsibility of management to manage the systems of the Authority in a manner which:
- ensures the plans and intentions of the organisation are delivered, (including those outlined in plans, policies and procedures) and are in compliance with the laws/regulations under which the organisation operates;
 - ensures the reliability of data and information used either internally or reported externally;
 - safeguards the organisation's resources; and
 - promotes efficient and effective operations.
- 2.2 Controlling is an integral part of managing operations and as such internal auditors independently review how effectively management discharges this aspect of its responsibilities by evaluating the effectiveness of systems and controls and providing objective analyses and constructive recommendations. Management retains full ownership and responsibility for the implementation of any such recommendations.

3. Resources Available

- 3.1 The internal audit service is provided by Sunderland City Council as the lead authority. This provides for a wide pool of skills and experience that can be called upon, including IT auditors. The head of internal audit and the service's managers are professionally qualified and all staff are trained to deliver internal audit work to professional standards.

4. Development of Internal Audit Operational Plan

- 4.1 In developing the coverage of internal audit work it is appropriate to cover the key risk areas of the business over a period of years. The frequency and scope of the work is driven by an assessment of risk in consultation with the Chief Fire Officer and the Chief Emergency Planning Officer (as set out in the Internal Audit Strategy). The Operational Plan sets out the work scheduled for the next financial year.
- 4.2 The methodology results in a plan that is supportive of the Chief Fire Officer and Chief Emergency Planning Officer in delivering the strategic priorities of the Authority and provides a view on the overall internal control environment, a key part of good Corporate Governance.
- 4.3 As Internal Audit Services are required to investigate specific areas of concern or irregularity as and when they arise, a contingency allowance is made for this work.
- 4.4 Although the majority of audit work can be planned, there are occasions where individual planned audits cannot be undertaken (for example, where significant change takes place in the area to be audited). In these circumstances attempts will be made to replace the audit with a suitable replacement in consultation with the Chief Fire Officer and Finance Officer. Where these changes are agreed this shall be considered a variation to this Plan for the purposes of performance reporting.
- 4.5 In addition, unforeseen work can arise due to new areas of service or increased risk which is appropriate to prompt an audit in the year. Therefore, in order to allow some flexibility, a contingency allowance is also made to enable such work to be undertaken without adversely affecting the delivery of the planned audit work.

5. Planned Audit Work for 2010/2011

- 5.1 The following audits are planned.
- 5.1.1 Asset Management (15 days)
Asset Management is considered to be one of the key non financial systems of the Authority and is therefore reviewed on a periodic basis. This audit will review the arrangements in place to manage and maintain the Fire and Rescue Service's property assets.
- 5.1.2 Stores (15 days)
The Authority manages a stores function for themselves and Northumberland Fire Service. The audit will cover the overall management arrangements, including the agreement with Northumberland, purchase, storage and issue of items held in the stores.

5.1.3 Information Governance (15 days)

Information governance is a particularly high profile issue currently within the public sector. It is planned to review the arrangements to manage information and records held by the Fire and Rescue Service, the security of information and related legal requirements such as compliance with the data protection and freedom of information legislation.

5.1.4 Procurement (18 days)

Procurement is considered to be one of the key financial systems of the Authority and is therefore reviewed on a periodic basis. Significant expenditure is incurred with third party suppliers and contractors. This audit will cover the arrangements in place to procure and contract for goods and services, including whether efficiencies are being maximized through those arrangements.

5.1.5 Emergency Planning Unit (12 days)

As with the Fire and Rescue Service, an audit will be undertaken of the arrangements in place to govern and keep secure the information / records, held by the Emergency Planning Unit, including related legal requirements.

5.2 Within the plan, provision has also been made to carry out follow up work to monitor the implementation of previously agreed recommendations.

5.3 Time has also been allocated for the provision of advice and guidance as required.

5.4 In addition to the above, audit work is also undertaken on the Lead Authority's key financial systems, which are used by the Authority. Systems planned to be audited during 2010/2011 are:

- Accounts Payable
- Payroll

6. Reporting Protocols

6.1 At the conclusion of each individual audit a Draft Report and, if necessary, a proposed Action Plan will be forwarded to the appropriate manager. Once agreement has been reached, a Final Report (including any Action Plan) will be forwarded to the Chief Fire Officer or Chief Emergency Planning Officer, as appropriate. Where audits highlight issues which need to be brought to the attention of the Finance Officer they will be raised as and when necessary.

6.2 A quarterly progress report will be presented to the Finance Officer indicating the level of achievement against agreed targets and any major findings arising from the audit work undertaken.

- 6.3 The Governance Committee will be updated on progress against the audit plan approximately half way through the year.
- 6.4 An Annual Report will be prepared for the Authority and the Governance Committee, in order to give assurance, or otherwise, to Members that they can rely on the internal control framework of the Authority.

7. Performance Management

- 7.1 All work undertaken by Internal Audit Services in the delivery of the Operational Plan will be in accordance with its Quality System, which is based upon the professional standards required by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA-UK). The Quality System is also certified to the ISO9001:2008 standard.
- 7.2 The objectives of the service for 2010/2011 and the Key Performance Indicators (KPI's), which will be used to measure Cost and Efficiency, Quality, Client Satisfaction and Continuous Improvement throughout the year, are shown in Annex 1.

8. Variations to Audit Plan

- 8.1 As stated in paragraphs 4.3 and 4.5 above, in order to allow some flexibility in the work Internal Audit Services undertakes, a contingency allowance is made to enable unforeseen requests to be responded to without adversely affecting the delivery of the planned audit work. However, if the contingency allowance has been exhausted an assessment will be carried out to determine whether requests for additional work should be undertaken, based on the impact upon the delivery of the plan and the risks associated with the work requested.

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2010/2011		
Cost & Efficiency		
Objectives	KPI's	Targets
1) To ensure the service provides Value for Money	1) Charge per Man Day 2) Percentage of planned audits completed (including agreed variations) 3) Average number of days between end of fieldwork to issue of draft report 4) Percentage of draft reports issued within 15 days of the end of fieldwork 5) Percentage of audits where the number of days between the start of the audit and the end of fieldwork is within a target of twice the budgeted number of days	1) Lower cost than average within CIPFA Benchmarking Club – Comparator Group (Unitary Authorities) 2) 100% 3) 10 working days or less 4) 85% 5) 75%

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2010/2011		
Quality		
Objectives	KPI's	Targets
1) To maintain an effective system of Quality Assurance 2) To ensure recommendations made by the service are agreed and implemented	1) ISO9001:2000 Certification 2) Percentage of high, significant and medium risk recommendations made which are agreed 3) Percentage of agreed high, significant and medium risk recommendations which are implemented 4) Opinion of External Auditor	1) Retain certification 2) 100% 3) 100% for high and significant. 90% for medium risk 4) Satisfactory opinion
Client Satisfaction		
Objectives	KPI's	Targets
1) To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) Number of Complaints / Compliments	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor) 2) Results classed as 'Good' 3) No target – actual numbers will be reported

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2010/2011		
Continuous Improvement		
Objectives	KPI's	Targets
1) To ensure that the service develops in line with modern thinking and practice on Internal Auditing	Improvement in actual performance in relation to previous years in the following areas: 1) Average number of days between end of fieldwork to issue of draft report 2) Percentage of draft reports issued within 15 days of the end of fieldwork 3) Percentage of agreed high, significant and medium risk recommendations which are implemented	Improvement in actual performance from 2009/2010.