

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No. 4

GOVERNANCE COMMITTEE

MEETING: 18TH MARCH 2013

SUBJECT: INTERNAL AUDIT OPERATIONAL PLAN FOR 2013/14

REPORT OF THE HEAD OF INTERNAL AUDIT

1. Purpose of Report

- 1.1 To enable the Governance Committee to consider and comment on the proposed Internal Audit Operational Plan for 2013/14.

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'*.
- 2.2 The current Internal Audit Strategy was agreed on 21st March 2011 and remains fit for purpose, therefore this report only covers the Internal Audit Operational Plan for 2013/14.

3. Recommendation

- 3.1 The Governance Committee is invited to consider and, if appropriate, make comment on the attached proposed Internal Audit Operational Plan.

4. Background Papers

- 4.1 None.

Tyne and Wear Fire and Rescue Authority

Internal Audit Operational Plan for 2013/14

1. Introduction

- 1.1 This document sets out the proposed Internal Audit Operational Plan and key performance measures for 2013/14.

2. Development of the Plan

- 2.1 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 Assistant Chief Fire Officer (Strategy and Performance) and the Finance Manager. The Operational Plan sets out the work scheduled for the next financial year.
- 2.2 As specific areas of concern or irregularity may require investigation as and when they arise, a contingency is made for this work.
- 2.3 Where individual audits cannot be undertaken as originally planned (e.g. service no longer provided), attempts will be made to replace the audit with a suitable replacement in consultation with the Assistant Chief Fire Officer (Strategy and Performance) and the Finance Manager. Where these changes are agreed this shall be considered a variation to this Plan for the purposes of performance reporting.
- 2.4 In addition, unforeseen work can arise due to new areas of service or increased risk which is appropriate to prompt internal audit work in the year. Therefore, in order to allow some flexibility, a contingency is made to enable such work to be undertaken without adversely affecting the delivery of the planned audit work.
- 2.5 Time has also been allocated for the provision of advice and guidance.
- 2.6 Within the plan, provision has also been made to carry out follow up work to monitor the implementation of previously agreed recommendations (except for those classed as low risk).

3. Planned Audit Work for 2013/14

- 3.1 The following audits are planned.

- 3.1.1 Service Planning / Integrated Risk Management Plan (10 days)
Audit work in this area will be in the form of a high level review of the arrangements for developing the new Integrated Risk Management Plan.
- 3.1.2 Community Fire Safety (9 days)
This audit will review the arrangements for planning, undertaking and recording of home safety inspections in line with appropriate guidance.
- 3.1.3 Local Financial Systems (12 days)
This audit will examine the arrangements with regard to the local financial systems operated by the Authority now that the new staffing structure is in place. The audit will review the implementation of procedures for key areas of financial activity.
- 3.1.4 Risk Management Arrangements (12 days)
An audit is due in this area and will cover the corporate risk management framework.
- 3.1.5 Payroll and HR Management (12 days)
The audit will review the arrangements for Payroll and HR Functions to be delivered by the same team to ensure that the risks associated with this are being appropriately managed.
- 3.1.6 Procurement (12 days)
This audit will include a review the Authority's contract management arrangements.
- 3.1.7 ICT Strategy (10 days)
The audit will review the content and implementation of the Authority's ICT Strategy.
- 3.2 In addition to the above, 10 days have been allocated for proactive financial transactions testing to ensure that appropriate controls continue to be in place during a period of change in the back office services. The areas covered will include Payroll and Accounts Payable.
- 3.3 Protecting the Public Purse 2012
It is important to be alert to the risks of fraud, and to retain adequate levels of internal control when redesigning services and looking for savings. The above report published by the Audit Commission includes a checklist which gives organisations an opportunity to consider how effective they are at responding to the risk of fraud. During the year Internal Audit will carry out an assessment of the Authority's arrangements using this checklist.
- 3.4 Each audit is linked to the appropriate key risk area(s) to identify the audit

- 3.5 work that will inform the opinion in relation to each key risk area. Appendix 1 to this report shows all of the key risk areas and those audits that contribute towards the opinion on each area. It should be noted that some audits contribute towards the opinion of more than one key risk area and some key risk areas rely on a number of audits.
- 3.6 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 include:
- Accounts Payable;
 - Accounts Receivable / Periodic Income;
 - Payroll.
- 3.7 Follow up will be carried out in 2013/14 in relation to previous audit work on information governance.

4. Reporting Protocols

- 4.1 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 and the Assistant Chief Fire Officer (Strategy and Performance). Where audits highlight issues which need to be brought to the attention of the Finance Manager they will be raised as and when necessary.
- 4.2 A quarterly progress report will be presented to the Chief Fire Officer indicating the level of achievement against agreed targets and any major findings arising from the audit work undertaken.
- 4.3 The Governance Committee will be updated on progress against the audit plan approximately half way through the year.
- 4.4 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.

5. Performance Management

- 5.1 All work undertaken will be in accordance with its policies and procedures, which are based upon the professional standards required by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA-UK).

5.2 The Key Performance Indicators which will be used to measure the performance of the service throughout the year are shown in Appendix 2.

6. Variations to Audit Plan

6.1 In order to allow some flexibility in the work Internal Audit Services undertakes, as stated earlier a contingency is made to enable unforeseen requests to be responded to without adversely affecting the delivery of the planned audit work. However, if the contingency 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.

Detailed Audit Coverage

Key Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	Overall Opinion from Previous 3 years work	Audits Planned 2013/14
Corporate Governance	5%	Strong framework in place and good history of general compliance. No specific audit work necessary.	Good	
Service / Business Planning, IRMP	8%	Last audit 2009/10 therefore cover in 2013/14.	Good	IRMP Home Safety Inspections
Financial Management	5%	Implementation of reduced staffing structures and redesign of processes means audit work is required in 2013/14.	Good	Local Financial Systems Financial Transactions
Risk Management	8%	Last audit 2009/10 therefore cover in 2013/14.	Good	Risk Management Arrangements
Procurement and Contract Management	14%	Good arrangements overall but contract management has not been reviewed recently.	Satisfactory	Contract Management
Human Resource Management	5%	History of good performance, however changes in arrangements mean that this area requires review.	Good	Payroll and HR Management
Asset Management	8%	No concerns in this area.	Good	
ICT	24%	ICT Strategy to be reviewed.	Good	ICT Strategy
Fraud and Corruption	2%	Counter fraud testing of back office transactions.	Good	Financial Transactions
Information Governance	25%	Follow up work in 2013/14.	Good	
Business Continuity and Contingency Planning	12%	No concerns in this area.	Satisfactory	
Performance Management	5%	No concerns in this area.	Good	
Payroll	5%	Payroll and HR Functions to be delivered by the same team – to review in 2013/14	Good	Payroll and HR Management
Partnership Working	14%	A strong framework is in place to govern partnership working.	Satisfactory	
Project Management	15%	Recent audit work resulted in positive findings	Good	

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2013/14		
Efficiency and Effectiveness		
Objectives	KPI's	Targets
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified. 2) Percentage of draft reports issued within 15 days of the end of fieldwork. 3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	1) All key risk areas covered over a 3 year period 2) 90% 3) 70%

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2013/14		
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) Opinion of External Auditor 2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented.	1) Satisfactory opinion 2) 100% for high and significant. 90% for medium risk
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