

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

GOVERNANCE COMMITTEE

MEETING: 17TH MARCH 2014

Item 4

SUBJECT: INTERNAL AUDIT PLAN FOR 2014/15

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 Plan for 2014/15.

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 Plan for 2014/15.

3. Recommendation

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

4. Background Papers

- 4.1 None.

Tyne and Wear Fire and Rescue Authority

Internal Audit Plan for 2014/15

1. Introduction

- 1.1 This document sets out the proposed Internal Audit Plan and key performance measures for 2014/15.

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). 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 small 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). 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 small 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 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 2014/15

- 3.1 The following audits are planned.

3.1.1 Corporate Governance (8 days)

Audit work in this area will be in the form of a review of compliance with the new Financial Regulations and Standing Orders of the Authority.

- 3.1.2 Financial Management (15 days)
This audit will review the arrangements for achieving efficiencies.
- 3.1.3 Attendance Management Arrangements (12 days)
The audit will review the arrangements to manage attendance and reduce sickness absence.
- 3.1.4 Building Maintenance (12 days)
This audit will review the arrangements for managing and maintaining the Authority's non-PFI buildings.
- 3.1.5 Procurement (10 days)
This audit will be a review of the Authority's contract management arrangements.
- 3.1.6 ICT Disaster Recovery (15 days)
The audit will review the robustness of the Authority's arrangements to maintain critical functions and services in a situation where normal ICT operations are unavailable within the control room.
- 3.1.7 Project / Performance Management (14 days)
The audit will review the arrangements to manage one of the Authority's key ongoing IRMP projects.
- 3.2 The results of the external assessment of the Authority's Business Continuity arrangements will be considered.
- 3.3 In addition to the above, 10 days have been allocated for financial transactions testing to ensure that controls are being complied with. The areas covered will include Payroll and Accounts Payable.
- 3.4 Each audit is linked to the appropriate key risk area(s) to identify the audit 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.
- 3.5 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.



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 Officer they will be raised as and when necessary.
- 4.2 A quarterly progress update will be provided to the Chief Fire Officer indicating progress against the audit plan 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 Governance Committee, in order to give assurance, or otherwise, to Members regarding the Authority's internal control environment.

5. Performance Management

- 5.1 All work undertaken will be in accordance with its policies and procedures, which are based upon the Public Sector Internal Audit Standards.
- 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 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
				2014/15
Corporate Governance	5%	Strong framework in place and good history of general compliance.	Good	Review of Compliance with new Financial Regulations and Standing Orders
Service / Business Planning, IRMP	8%	Sound arrangements are in place.	Good	Review of a key ongoing IRMP project
Financial Management	5%	Recent audit work indicates sound arrangements are in place. Any non compliance tends to be isolated and minor in nature.	Good	Review arrangements for achievement of efficiencies. Financial Transactions Testing
Risk Management	8%	Recent audit work indicates sound arrangements are in place.	Good	No audit work planned
Procurement and Contract Management	14%	Recent audit work found good arrangements overall in relation to procurement.	Satisfactory	Contract Management
Human Resource Management	5%	Recent audit work indicates mainly sound arrangements are in place. No history of problems in this area.	Good	Attendance Management
Asset Management	8%	No recent audit work in this area.	Good	Building Maintenance (non PFI buildings)
ICT	24%	ICT Strategy to be reviewed in March 2014	Good	Control Room Disaster Recovery Arrangements
Fraud and Corruption	2%	Low levels of fraud historically. Small organisation means setting the culture is more effective.	Good	Financial Transactions Testing on Payroll and Accounts Payable.
Information Governance	25%	Follow up work to be completed in March 2014.	Good	No audit work planned.
Business Continuity & Contingency Planning	12%	No recent audit work. External assessment of arrangements is to take place in 2014/15.	Satisfactory	Review of external assessment. Control Room DR Arrangements
Performance Management	5%	No recent audit work.	Good	Review of a key ongoing IRMP project
Payroll	5%	Recent audit work indicates mainly sound arrangements are in place.	Good	Financial Transactions Testing
Partnership Working	14%	A strong framework is in place to govern partnership working.	Satisfactory	No audit work planned.
Project Management	15%	Project management arrangements are in place but no recent audit work has been undertaken.	Good	Review of a key ongoing IRMP project

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2014/15		
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 2014/15		
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

