

**TYNE AND WEAR FIRE AND RESCUE SERVICE**

**Item 4**

**GOVERNANCE COMMITTEE**

**MEETING: 27<sup>TH</sup> MARCH 2017**

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**SUBJECT: INTERNAL AUDIT PLAN FOR 2017/18**

**REPORT OF THE HEAD OF INTERNAL AUDIT**

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**1. Purpose of Report**

- 1.1 To enable the Governance Committee to consider and comment on the proposed Internal Audit Plan for 2017/18.

**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 21<sup>st</sup> March 2011 and remains fit for purpose, therefore this report only covers the Internal Audit Plan for 2017/18.

**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 Service**

## **Internal Audit Plan for 2017/18**

### **1. Introduction**

- 1.1 This document sets out the proposed Internal Audit Plan and key performance measures for 2017/18.

### **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 Strategic 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 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 Strategic 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 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 2017/18**

- 3.1 The following audits are planned.

#### **3.1.1 Human Resource Management (10 days)**

Audit work in this area will be in the form of a review of the arrangements for workforce planning within the Service given the financial pressures being faced, including succession planning.

- 3.1.2 ICT (15 days)  
The audit will assess the work undertaken by the Service for the implementation of General Data Protection Regulations.
- 3.1.3 Financial Management (15 days)  
Audit work will involve testing of a sample of transactions relating to Payroll and Accounts Payable
- 3.1.4 Performance Management (15 days)  
This audit will review the process for gathering performance data, data quality and performance reporting.
- 3.1.6 Partnership Working (15 days)  
This audit will review the arrangements in place for partnership working with Impeller and the Police.
- 3.1.7 Project Management (10 days)  
This audit will include a review of the project management arrangements in place for a sample project.
- 3.2 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.
- 3.3 In addition to the above, audit work is also undertaken on the Lead Authority's key financial systems, which are used by the Fire and Rescue 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 agreed action plan) will be forwarded to the Chief Fire Officer. Where audits highlight issues which need to be brought to the attention of the Strategic Finance Officer they will be raised as and when necessary.
- 4.2 The Chief Fire Officer and Governance Committee will be updated on progress against the audit plan approximately half way through the year.

- 4.3 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 the internal audit service's 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 2017/18
Corporate Governance	5%	Strong framework in place and good history of general compliance.	Substantial	No audit work planned
Service / Business Planning, IRMP	8%	Sound arrangements are in place.	Substantial	Review of the arrangements in place for workforce Planning within the Service.
Financial Management	5%	Recent audit work indicates sound arrangements are in place. Any non compliance tends to be isolated and minor in nature.	Substantial	Financial Transactions Testing on Payroll and Accounts Payable /
Risk Management	8%	Sound arrangements are in place but no recent audit work has been carried out.	Substantial	No audit work planned
Procurement and Contract Management	14%	Previous audits of procurement arrangements provided substantial assurance.	Substantial	Review of the arrangements in place for partnership working with Impeller and the Police,
Human Resource Management	17%	Good arrangements in place generally. No history of problems in this area.  However, the Service has just been through an organisational management review which has resulted in a number of posts being removed from the structure which could increase the risk of capacity issues.	Substantial	Review of the arrangements in place for workforce Planning within the Service.
Asset Management	8%	No history of problems in this area	Substantial	No audit work planned
ICT	24%	Sound ICT Strategy in place.  Moderate assurance from 2015/16 audit of Data Handling Guidelines. Information relating to the implementation of outstanding recommendations from this work has recently been received and is currently being reviewed. Where actions are now implemented the assurance level and risk score will be amended to reflect this.	Substantial	Review of work undertaken for the implementation of General Data Protection Regulations

## Appendix 1

### 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 2017/18
Fraud and Corruption	2%	Low levels of fraud/irregularity historically. Small organisation means setting the right culture is more effective.	Substantial	Financial Transactions Testing on Payroll and Accounts Payable.
Information Governance	25%	Some outstanding issues remain from previous audit work in this area but an audit is currently on-going in this area.	Moderate	Review of work undertaken for the implementation of General Data Protection Regulations
Business Continuity & Contingency Planning	12%	Sound arrangements are in place.	Substantial	No audit work planned
Performance Management	5%	No history of issues in this area.	Substantial	Review of process for gathering performance data and reporting on performance.
Payroll	5%	Recent audit work indicates mainly sound arrangements are in place.	Substantial	Financial Transactions Testing on Payroll
Partnership Working	14%	A strong framework is in place to govern partnership working.	Substantial	Review of the arrangements in place for partnership working with Impeller and the Police
Project Management	15%	Sound project management arrangements are in place	Substantial	Review of project management arrangements for a sample project.

**Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2017/18**

<b>Efficiency and Effectiveness</b>		
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>
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).  4) Cost per £m Turnover	1) All key risk areas covered over a 3 year period  2) 90%  3) 82%  4) Lower than average within CIPFA Benchmarking Club

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2017/18		
<b>Quality</b>		
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>
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
<b>Client Satisfaction</b>		
<b>Objectives</b>	<b>KPI's</b>	<b>Targets</b>
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