

**TYNE AND WEAR FIRE AND RESCUE AUTHORITY
GOVERNANCE COMMITTEE
MEETING: 30TH MARCH 2009**

**SUBJECT: INTERNAL AUDIT SERVICES – INTERNAL AUDIT OPERATIONAL
PLAN FOR 2009/2010**

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 2009/2010.

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.

3. Recommendation

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

4. Background Papers

- 4.1 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 2009/2010****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 2009/2010.

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 service is delivered by Sunderland City Council's Internal Audit Service. The benefit of this is that a wider pool of skills and experience can be called upon, including IT auditors. The head of internal audit and the service's Audit Managers are professionally qualified and all staff are trained to deliver work to professional standards.

4. Development of Internal Audit Operational Plan

- 4.1 In developing the Operational Plan it is important that audit resources are directed in line with the priorities of the Authority taking into account an assessment of risk. In order to achieve this, a systematic risk assessment and planning methodology is used, as set out in the Audit Strategy.
- 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.
- 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 2009/2010

- 5.1 The following audits are planned for 2009/2010.
 - 5.1.1 Training and Development (12 days)
This audit will review the arrangements in place to identify, prioritise, budget for and deliver appropriate training for staff (both uniformed and non-uniformed).
 - 5.1.2 Income (12 days)
A review of the procedures to collect, record and accurately account for income will be undertaken. This will also include budget monitoring arrangements in relation to the income due and collected.
 - 5.1.3 Performance and Financial Management (12 days)
Within this area, it is planned to review the arrangements to monitor performance against the Integrated Risk Management Plan specifically covering the impact on the achievement of key performance indicators.

5.1.4 Risk Management Arrangements (10 days)

The arrangements in place to identify, document and quantify risks to the Fire and Rescue Service will be reviewed to determine whether they are robust and that appropriate action has been taken to manage the risks.

5.1.5 Payroll (12 days)

An audit of payroll is performed on a cyclical basis and this will assess the controls in place in relation to the payroll procedures operated and ensure that the processes are working efficiently.

5.1.6 Creditors (12 days)

An audit covering controls in place regarding procedures to order and pay for goods and services will be undertaken during the year.

5.1.7 Recruitment and Induction (10 days)

This audit will review the arrangements in place for the recruitment, selection and induction of staff, in line with appropriate policies.

5.1.8 ICT Sustainability – Green IT (18 days)

This audit will review the arrangements in place in relation to asset lifecycles and recycling, deployment and use of printers and consumables and alternatives, and emissions management. The review will benchmark the current arrangements against identified good practice.

5.1.9 Emergency Planning Unit (EPU) – Management of IT Risks (15 days)

A review of the overall risk management arrangements in relation to the EPU IT infrastructure will be undertaken, including the management of IT systems, the security of the IT infrastructure and data, recovery arrangements and compliance with IT related legislation.

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 ad-hoc 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 2009/2010 are:

- Leasing Administration;
- Accounts Payable – Processing and Payment;
- Accounts Receivable – Billing;
- Accounting / General Ledger.

6. Reporting Protocols

- 6.1 At the conclusion of each individual audit a Draft Report and proposed Action Plan will be forwarded to the appropriate manager. Once agreement has been reached a Final Report and 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 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 ISO9001:2000 standard.
- 7.2 The objectives of the service for 2009/2010 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 4.4 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 2009/2010		
Cost & Efficiency		
Objectives	KPI's	Targets
1) To ensure the service provides Value for Money	1) Charge per Man Day	1) Lower cost than average within CIPFA Benchmarking Club – Comparator Group (Unitary Authorities)
	2) Percentage of planned audits completed (including agreed variations)	2) 100%
	3) Average number of days between end of fieldwork to issue of draft report	3) 10 working days or less
	4) Percentage of draft reports issued within 15 days of the end of fieldwork	4) 85%
	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	5) 75%

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010		
Quality		
Objectives	KPI's	Targets
1) To maintain an effective system of Quality Assurance	1) ISO9001:2000 Certification	1) Retain certification
2) To ensure recommendations made by the service are agreed and implemented	2) Percentage of high, significant and medium risk recommendations made which are agreed	2) 100%
	3) Percentage of agreed high, significant and medium risk recommendations which are implemented	3) 100% for high and significant. 90% for medium risk
	4) Opinion of External Auditor	4) Satisfactory opinion
Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010		
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	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)
	2) Results of other Questionnaires	2) Results classed as 'Good'
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported

Internal Audit Services' Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2009/2010		
Continuous Improvement		
Objectives	KPI's	Targets
1) To ensure that the service develops in line with modern thinking and practice on Internal Auditing	<p>Improvement in actual performance in relation to previous years in the following areas:</p> <ol style="list-style-type: none"> 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 2008/2009.