

## **Report of the Head of Internal Audit Shared Service**

### **Internal Audit Draft Audit Plan 2019/20**

#### **Purpose of report**

1. To provide the Committee with the Draft Audit Plan for 2019/20.
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#### **Recommendation**

***The Treasurer recommends that the 2019/20 Draft Internal Audit Plan is approved.***

#### **Introduction and Background**

2. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under the Accounts and Audit (England) Regulations 2015. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer, and, Internal Audit is provided by Worcestershire Internal Audit Shared Service (WIASS) in which Hereford and Worcester Fire and Rescue Authority is a Partner. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly.

#### **Objectives of Internal Audit**

3. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom defines internal audit as: "an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness to achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resource". WIASS is committed to satisfying/achieving the requirement of the CIPFA Code of Practice for Internal Audit and conforms to the Public Sector Internal Audit Standards.

#### **Aims of Internal Audit**

4. The objectives of WIASS are to:
  - Examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Fire Service and recommend arrangements to address weaknesses as appropriate;

- Examine, evaluate and report on arrangements to ensure compliance with legislation and the Fire Service's objectives, policies and procedures;
  - Examine, evaluate and report on procedures that the Fire Service's assets and interests are adequately protected and effectively managed;
  - Undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service's policies and procedures and relevant legislation; and,
  - Advise upon the control and risk implications of new systems or other organisational changes.
5. Internal audit will work with external audit to avoid duplication of effort, provide adequate coverage for the 2019/20 financial year so that an internal audit opinion can be reached, and, support External Audit by carrying out reviews in support of the accounts opinion work.

### **Audit Planning**

6. To provide audit coverage for 2019/20 an audit operational programme to be delivered by WIASS was discussed and agreed with the Treasurer and the Senior Management Board and will be provided to External Audit. The audit programme provides a total audit provision of 111 audit days; 100 operational and 11 management days. As the audits and follow up reviews are completed summary update reports will be brought before Committee along with an extract of the 'high' priority recommendations. Full reports will be provided to the Chairperson of the Committee for perusal on request.
7. WIASS operates an Internal Audit Charter which sets out the standards to which it operates for this Authority. The Internal Audit Plan for 2019/20, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the Authority's risk management, performance management, challenges, other assurance processes as well as organisational strategic objectives and priorities. It has been based upon the risk priorities per the strategic risk register and emerging risks identified by the Senior Management Board. Large spend budget areas have also been considered, and, direct association has been made to the Community Risk Management Plan 2014 - 2020. The Internal Audit Plan for 2019/20 has been agreed with the Treasurer and was considered by Senior Management Board on the 12th March 2019. It has been formulated with the aim to ensure Hereford and Worcester Fire and Rescue Service meets its strategic purposes and delivers the Community Risk Management Plan and has directly linked the various aspects to identify the 'golden thread' in regards to the Plan and risk identification to Service delivery. It is brought before the Audit and Standards Committee in draft format as the involvement of the Committee is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Annual Governance Statement.

8. The Internal Audit Plan for 2019/20 has been based upon a resource allocation of 111 productive audit delivery days, a resource allocation which has been agreed with the Authority's Treasurer and section 151 Officer. A detailed plan provision has been included within the Internal Audit Plan for 2019/20 at Appendix 1. Those areas that are considered to have a 'high' priority will be targeted first in regard to the plan delivery. Other areas which are identified as 'medium' priority have been considered and an assessment has been made whether to include in the plan based on the overall risk and governance profile. A watching brief will be kept on the financial systems but they are not considered as the key risk areas due to embedded process, control and anti fraud measures. A further light touch rolling programme is planned for 2019/20, however, a full systems audits will commence in the financial areas commencing 2020/21. A combination of full audit reviews and light touch reviews will continue in the future. Operational support days are included to give a little flexibility and contingency in the plan e.g. consultancy. They are also necessary to support the delivery of the plan as a whole.
9. Due to the continuing changing environment the plan must be seen as a framework for Internal Audit work for the forthcoming year. There is a need for improved flexibility in the plan due to a changing risk profile and emerging risks e.g. Payroll Tender. To ensure flexibility there is the possibility that the plan will be updated during the year in order to address such challenges and to complement national initiatives.
10. We recognise there are other review functions providing other sources of assurance, both internally and externally, (e.g. ICT Public Service Network assurance testing) over aspects of the Authority's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.
11. To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is shared with the external auditors for information.
12. Appendix 1 provides the Committee with a breakdown of the draft 2019/20 internal audit plan.
13. Appendix 2 provides the Committee with an over view and comparison of the audits delivered over the past 7 ½ years.

### **Conclusion/Summary**

14. Operational progress against the Internal Audit Plan for 2019/20 will be closely monitored by the Head of Internal Audit Shared Service and will be reported to the Audit Committee on a quarterly basis. For information, any 'high' priority recommendations will also be included.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	There are financial implications that require consideration as the Authority is a partner in the Internal Audit Shared Service however these are not fully detailed in this report as the Treasurer is appraised of the position on a regular basis during the Partner Board meetings.
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None. There are legal issues e.g. Collaborative Agreement that require consideration but are not fully detailed in this report as they are contained within the Agreement.
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

## Supporting Information

Appendix 1 - 2019/20 Draft Internal Audit Plan

Appendix 2 - Summary of audit coverage

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APPENDIX 1

**FIRE & RESCUE SERVICE  
WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE  
DRAFT INTERNAL AUDIT PLAN FOR FIRE & RESCUE SERVICE 2019/20**

Audit Area	Source	Planned days 2019/20	Service	Comment	Strategy link	Priority and indicative delivery date
<b>Accountancy &amp; Finance Systems</b>						
Main Ledger (inc Budgetary Control & Bank Rec)	Fundamental to HWFRS Community Risk Management (CRMP) delivery	5	Finance	Light touch based on previous years & external audit comment	Resourcing for the Future	Medium / Q1 - Q3
Creditors	Fundamental to HWFRS CRMP delivery	6	Finance	Light touch based on previous years & external audit comment	Resourcing for the Future	Medium / Q1 - Q3
Debtors	Fundamental to HWFRS CRMP delivery	4	Finance	Light touch based on previous years & external audit comment	Resourcing for the Future	Medium / Q1 - Q3
Payroll and Pensions incl. GARTAN	Fundamental to HWFRS CRMP delivery	10	Service Support	Full Payroll audit to ensure everything has embedded and full range of scenarios have been encountered	Resourcing for the Future	High / Q1 - Q4
<b>SUB TOTAL</b>		<b>25</b>				

Audit Area	Source	Planned days 2019/20	Service	Comment	Strategy link	Priority and indicative delivery date
<b>Corporate (incl. Health &amp; Safety arrangements)</b>						
Embedding of National Operational Guidance	Identified Priority	10	All	Underpins everything HWFRS do & links to and is an identified priority	Fire & Rescue Authority	Medium Q1
Business Continuity	Fundamental to HWFRS CRMP delivery	10	All	Underpins everything HWFRS do & emerging risk area. To link to IT review.	Fire & Rescue Authority	Medium Q4
<b>SUB TOTAL</b>		<b>20</b>				
<b>System / Management Arrangements</b>						
Equality and Diversity	Fundamental to HWFRS CRMP delivery	12	All	Links to and underpins some of the promises made in the CRMP 2014-2020. AC Chair request.	Resourcing for the Future & Services	Medium Q2
Computer Audit	Fundamental to HWFRS CRMP delivery	14	IT	Underpins everything HWFRS do and critical to service delivery. To link to business continuity review.	Fire & Rescue Authority	Medium Q4
Human Resources	Fundamental to HWFRS CRMP delivery	9	Human Resources	Statutory requirements. Recruitment process including eligibility to work, and, promotion processes.	Resourcing for the Future & Services	Medium Q1
Communication and Engagement Strategy	Identified Priority and Reputational	8	Communications	Underpins everything HWFRS do & links to and is an identified priority. Social media focus.	Fire & Rescue Authority	Medium Q2
<b>SUB TOTAL</b>		<b>43</b>				

Audit Area	Source	Planned days 2019/20	Service	Comment	Strategy link	Priority and indicative delivery date
<b>General</b>						
Follow up Reviews	Good Governance	7	All	Good governance	N/a	Q1 – Q4
Advice, Guidance, Consultation, Investigations	n/a	5	N/a	Contingency and pull down budget	N/a	Q1 – Q4
Audit Committee Support	n/a	5	N/a	Delivery support requirement	N/a	Q1 – Q4
Reports & Meetings	n/a	6	N/a	Delivery support requirement	N/a	Q1 – Q4
<b>SUB TOTAL</b>		<b>23</b>				
PLAN TOTAL		111				

## Summary of audit coverage since 2011/12:

Audit Review	Year Undertaken								
	Handover year from County	Contractual delivery to H&WFRS by WIASS					WIASS Partnership Delivery		
Payroll & Pensions	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Debtors	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Creditors	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Petty Cash Imprest / Floats		2012/13			2015/16				
Main Ledger incl. Budgets & Budgetary Control	2011/12 (Not Main Ledger)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Property & Asset Management		2012/13				2016/17 (Client Side)			
Capital Programme			2013/14				2017/18		
Follow up	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
Risk Management Arrangements		2012/13	2013/14	2014/15	2015/16		2017/18	2018/19	
Business Continuity		2012/13					2017/18		
Corporate Management (different areas each year)		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 (GDPR & KPIs)	2019/20
Procurement / Contracts		2012/13					2017/18		
Members Allowances (incl. in Payroll)		2012/13							
Computer Audit		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	(2019/20)	2019/20
Community Safety			2013/14					2018/19	
Urban Search and Rescue			2013/14					2018/19	
Operational Logistics incl. Fleet			2013/14				2017/18	2018/19	
Stores					2015/16				
Transformational Planning (20/20 Plan)				2014/15			2017/18		
Building Maintenance				2014/15					
Equality and Diversity				2014/15				(2019/20)	2019/20
Operations				2014/15					
Human Resources					2015/16				
Training Centre (Droitwich)						2016/17	2017/18		
Technical Fire Safety						2016/17			

