

Mersey Internal Audit Agency

Proposed Internal Audit Plan
Humberside Fire Authority

1st February 2016
For consultation



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Executive Summary

Introduction

This plan describes how MIAA, as your Internal Audit partner, will deliver your internal audit services in 2016/17. The attached proposed plan is presented in the context of the agreed 3 year strategy of which 2016/17 will be the third year (Appendix A refers).

In Section One we confirm that this risk based Internal Audit Plan has been developed in compliance with national standards and guidance. We provide detail about the MIAA planning methodology and how the work we do in the year informs the Director of Audit Opinion which in turn contributes to your Annual Governance Statement.

Proposed audit coverage

Our local risk assessment in Section Two sets out the process we have followed to arrive at the areas for review. The draft plan takes into account the organisation's strategic objectives and risks and previous internal audit coverage and will be further developed through a process of stakeholder consultation. Accordingly the views of CMT and TDG are being sought along with the GAS Committee in advance of requesting consideration and approval from the Authority. The agreed plan, nevertheless, will remain flexible and responsive to a changing risk profile, as appropriate.

The proposed areas of coverage across the 3 year strategic plan agreed in April 2014 are summarised below for reference:

Finance & Resources	<ul style="list-style-type: none"> • Providing proportionate assurance on the fundamental financial controls, whilst also assessing key risk areas and developments including the arrangements for savings, income generation and capital programme.
Performance	<ul style="list-style-type: none"> • Constructive challenge on partnership arrangements, business/ community safety work, performance reporting and data quality to give you confidence in your reliance on this information.
Operations	<ul style="list-style-type: none"> • Providing independent assurance on operational systems, including training compliance, management of resources (staff/volunteers/partners/equipment/assets) and assurance on IT infrastructure, critical & mobile applications & business continuity arrangements to optimise service outcomes.
Governance, Risk & Legality	<ul style="list-style-type: none"> • Bringing independent insight into risk management. • Providing assurance on governance processes, committee arrangements and statutory requirements underpinning public safety

Appendix A sets out the proposed detailed operational plan for 2016/17, as well as outlining the scope of the reviews.

Flexibility of the plan

We will update our understanding of the risks facing Humberside Fire Authority through our regular liaison meetings with managers and key staff, and keeping an oversight of the Authority and Committee agendas. We recognise that we may need to update the audit plan during the year as different risks emerge, in particular the implications of government policy.

We will naturally keep you informed about any proposed changes to the plan and these will be discussed with the s151 Officer/Monitoring Officer and routed through GAS Committee.



1. Internal Audit Plan Approach

The Internal Audit Plan should ensure that you are provided with a comprehensive service that can support the Authority, s151 Officer, Monitoring Officer and GAS Committee in discharging their governance responsibilities. It is important that the Plan meets your assurance needs and adds value to the organisation. The internal audit plan requirements and methodology set out the approach to ensuring this is achieved.

1.1 Internal Audit Plan Requirements

MIAA will provide you with a Director of Internal Audit Opinion that will be formed from the completion of a risk based audit plan that is performed in full compliance with the Public Sector Internal Audit Standards (2012) and is clearly linked to your objectives.

Internal Auditors must establish risk based plans to determine the priorities of internal audit activity, consistent with the organisation's goals.

(Public Sector Internal Audit Standards, 2012).

Recognising the breadth of coverage needed to provide a comprehensive internal audit service and deliver a wide ranging Director of Audit Opinion to support your Annual Governance Statement, MIAA ensures that our specialist functions are integral to the delivery of our core audit programme. Our plan covers assurances regarding: governance, business planning, finance, IT, risk, compliance with statute and performance.

The completion of the assignments programmed within the plan will form the basis for delivery of the Director of Audit Opinion on the effectiveness of the system of internal control at the organisation in 2016/17. The Director of Internal Audit Opinion will be such that it provides a key piece of supporting evidence across a range of agreed assurance areas to contribute to your Annual Governance Statement.

In accordance with requirements placed upon Internal Audit, the plan covers its two key roles of:

- The Provision of an independent and objective opinion to the s151 Officer, Monitoring Officer, the Authority and the GAS Committee on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives.
- The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

As a public sector provider of internal audit and advisory services, our strategy is built upon quality and value. A fundamental aspect of our approach is to provide a cost-effective service that harnesses the benefits of scale to provide a highly skilled, flexible and responsive solution whilst remaining part of the public sector.

1.2 Plan Methodology

Our audit plan methodology is based on good practice and has been developed in accordance with professional standards.

MIAA's planning methodology also ensures contribution to supporting you in achieving your strategic objectives through risk-based coverage of your business areas over a rolling programme.

Our risk assessment approach is aligned to your strategic risk assessment (see figure 1). It utilises your assurance framework, Strategic Plan and other key documents, involves discussions with key officers, and brings our knowledge and experience of the challenges faced.





Figure 1 Audit Planning Risk Based Approach

Your Internal Audit Plan is structured to meet the Public Sector Internal Audit requirements and provide the Director of Audit's Opinion which subsequently contributes to your Annual Governance Statement (AGS).

During the establishment of the plan and through the prioritisation of coverage, we consider the audit resource requirements. Any impact on the integrity of the plan, including those relating to resources, will be brought to the attention of the Authority.

The Internal Audit Charter sets out further details of the underpinning requirements and relationships with the organisation and is supported by other operational documents.



2 Your Strategic Internal Audit Plan

Your Strategic Internal Audit Plan has been derived following the risk assessment process outlined in section 1.2 above. It is important that the Plan meets your assurance needs and adds value.

2.1 Risk Assessment

A key focus of the risk assessment is in understanding your vision and ensuring that the internal audit plan contributes to your objectives. This ensures that the assurance provided is built around your risks. The high level risk assessment of the organisation is provided below and this underpins the proposed audit plan coverage set out in section 2.2.



HUMBERSIDE
Fire & Rescue Service

Contributing to achieving your objectives

1. Preventing loss of life injuries and community impact from emergency incidents.
2. Responding quickly and effectively to emergencies when requested
3. Reducing risk in communities
4. Making the best use of available resources
5. Continuing to develop a committed, skilled and safe workforce.

Assurance built around your risk areas

Failure to:

- deliver high quality services in a challenging financial environment,
- maintain detailed understanding of your communities to identify the people and property most at risk,
- deliver the Integrated Risk Management Plan,
- respond to challenges of service re-configuration
- engage effectively with partners and stakeholders
- demonstrate value for money, effective performance management, and
- ensure effective operational control, compliance with statutory responsibilities, and quality of reporting and decision-making.

2.2 Proposed Internal Audit Plan Coverage

The following sets out the proposed strategic three year Internal Audit Plan and aims to prioritise coverage on a combination of risk, organisational impact and recognition of the organisation's wider assurance mechanisms. The strategic internal audit plan is subject to annual review and consultation. A detailed operational plan for 2016/17 is provided in Appendix A.

CORE AUDIT PLAN	2014/15	2015/16	2016/17
FINANCE & RESOURCES			
Combined Financial Systems	✓	✓	✓
Fees and Charges/Trading Arrangements		✓	
Savings Plan Delivery	✓		✓
Capital Programme Management			✓
Procurement		✓	
Counter Fraud Arrangements			✓
PERFORMANCE			
Performance Management/Data Quality	✓		
Strategic Planning			✓
Value for money/service improvement			✓
Partnerships		✓	
Business / Community Safety	✓		
OPERATIONAL COMPLIANCE			
IT Infrastructure	✓		
IT Critical Applications		✓	
Mobile computing	✓		
Business Continuity			✓
Training		✓	
Operational Reviews (stations/fleet/equipment etc)	✓	✓	
GOVERNANCE, RISK & LEGALITY			
Risk Management & Assurance Framework			✓
Change Readiness		✓	
Governance /Legal Compliance	✓		

CORE AUDIT PLAN	2014/15	2015/16	2016/17
FOLLOW UP & CONTINGENCY			
Follow-up	✓	✓	✓
AUDIT COMMITTEE, PLANNING & MANAGEMENT			
Planning liaison and management	✓	✓	✓
Reporting and meetings	✓	✓	✓



Appendix A: 2016/17 Detailed Operational Plan

The 2016/17 operational plan is provided below. The risk source references the utilisation of your assurance framework, annual plan and other key documents, discussions with key officers, along with our knowledge and experience of the challenges you are facing.

Core Plan Outputs	Outcomes	Risk Source								
FINANCE & RESOURCES										
<p>Combined Financial Systems – Assurance will be provided in respect of key controls within the main financial systems as identified in the table below. Discussions will be held with External Audit to confirm coverage and ensure complementary working. The systems to be covered in 2016/17 through an agreed cyclical programme will be:</p> <ul style="list-style-type: none"> • Accounts Payable • Treasury Management <p>Table below shows full suite of coverage over 3 years:</p> <table border="1" data-bbox="188 896 887 1097"> <tr> <td>Financial Reporting</td> <td>Accounts Payable</td> <td>Treasury Management</td> <td>Budgetary Control</td> </tr> <tr> <td>Financial Ledger</td> <td>Accounts Receivable</td> <td>Asset Management</td> <td>Payroll Pensions</td> </tr> </table>	Financial Reporting	Accounts Payable	Treasury Management	Budgetary Control	Financial Ledger	Accounts Receivable	Asset Management	Payroll Pensions	<p>Sound financial management and control supports the efficient and effective operation of the Authority underpinning a sound VFM opinion.</p> <p>Strength of financial systems underpins sound decision making and maintains stakeholder confidence.</p> <p>Ensuring the ‘basics are right’ provides a firm foundation for innovation</p>	<p>Audit Risk assessment</p>
Financial Reporting	Accounts Payable	Treasury Management	Budgetary Control							
Financial Ledger	Accounts Receivable	Asset Management	Payroll Pensions							
<p>Savings Plan Delivery – the review will evaluate the arrangements for monitoring and assessing outcomes from projects and schemes which are set to deliver financial savings.</p>	<p>Ensuring an effective approach to managing and delivering savings outcomes demonstrates effective financial and operational control.</p>	<p>Strategic Plans</p>								
<p>Capital Programme Management – the review will consider the arrangements for determining the components and delivery profile of the capital programme and how this is managed operationally and financially.</p>	<p>Ensuring effective capital programme management demonstrates sound financial and operational control.</p>	<p>Audit Risk assessment</p>								
<p>Counter Fraud – the review will consider the policy and procedural infrastructure for the mitigation and identification/investigation of fraud.</p>	<p>Ensuring an effective counter fraud culture supports ethical behaviour and financial control.</p>	<p>Audit Risk assessment</p>								



Core Plan Outputs	Outcomes	Risk Source
PERFORMANCE		
Strategic Planning – To review the processes for developing and reviewing strategic plans and alignment with financial planning, performance management and risk management.	Robust strategic planning underpins sound and reliable decision-making to ensure achievement of planned service outcomes.	Audit Risk assessment
Value for Money/Service Improvement – To review the effectiveness and embedding of project and governance arrangements around value for money schemes and service improvement.	Effective service improvement infrastructure and change culture underpins the ability to respond to financial and operational pressures.	Strategic Plans
OPERATIONS		
Business Continuity - We will review the organisation’s arrangements to respond to service interruption including the adequacy (including testing) of procedures and plans.	Effective business continuity planning ensures organisational readiness in the event of service interruption.	Audit Risk assessment
GOVERNANCE RISK & LEGALITY		
Risk Management & Assurance Framework – A review of the organisation’s risk management arrangements to assess the effectiveness of the structure and overall framework and test embeddedness and maturity.	An embedded ad mature risk and opportunity environment underpins organisational performance.	Audit Risk assessment/ Management Directed
FOLLOW UP & CONTINGENCY		
Follow-up - will be conducted throughout the year to provide assurance regarding management’s implementation of agreed actions.		



Core Plan Outputs	Outcomes	Risk Source
<p data-bbox="188 197 754 226">AUDIT COMMITTEE, PLANNING & MANAGEMENT</p> <p data-bbox="188 264 815 322">In providing an internal audit service an allocation of time is required for the management of the contract.</p> <ul data-bbox="236 383 847 680" style="list-style-type: none"> <li data-bbox="236 383 847 533">• Planning liaison and management - Incorporating preparation and attendance at GAS Committee; completion of risk assessment and planning; liaison with the client and organisation of the audit reviews. <li data-bbox="236 555 847 680">• Reporting and meetings – Key reports will be provided to support this, such as the Director of Audit Opinion and Annual Report, Annual Plan and Interim Update Reports. 		

Following agreement to the plan a schedule of the timing for the audit reviews will be provided in the Internal Audit Progress Report. Liaison with your External Auditors will take place to ensure maximum benefit is derived from your total audit resource.

