

Proposed Internal Audit Plan
Humberside Fire Authority

Report to GAS 14th April 2014
For information & consultation



Contents

Executive Summary

1. Internal Audit Plan Approach

1.1 Internal Audit Plan Requirements

1.2 Plan Methodology

2. Your Strategic Internal Audit Plan

2.1 Risk Assessment

2.2 Proposed Internal Audit Plan Coverage

Appendix A: 2014/15 Detailed Operational Plan/Your Team



Executive Summary

Introduction

This plan describes how MIAA (as your incoming Internal Audit partner) will deliver your internal audit services in 2014/15. The attached proposed plan is based on our local risk assessment and shows how our work aligns to your strategic plans. We have developed a detailed operational plan for 2014/15 in the context of an indicative 3 year strategy (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 is being further developed through a process of stakeholder consultation. Accordingly the views of CMT and the Performance & Risk Board are being sought in advance of the GAS Committee on 14th April and the Authority on 25th April. The agreed plan, nevertheless, will remain flexible and responsive to a changing risk profile, as appropriate.

The proposed areas of coverage across the 3 years are summarised below:

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 2014/15, 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 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 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 2014/15. 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, 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 best 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 facing the sector.

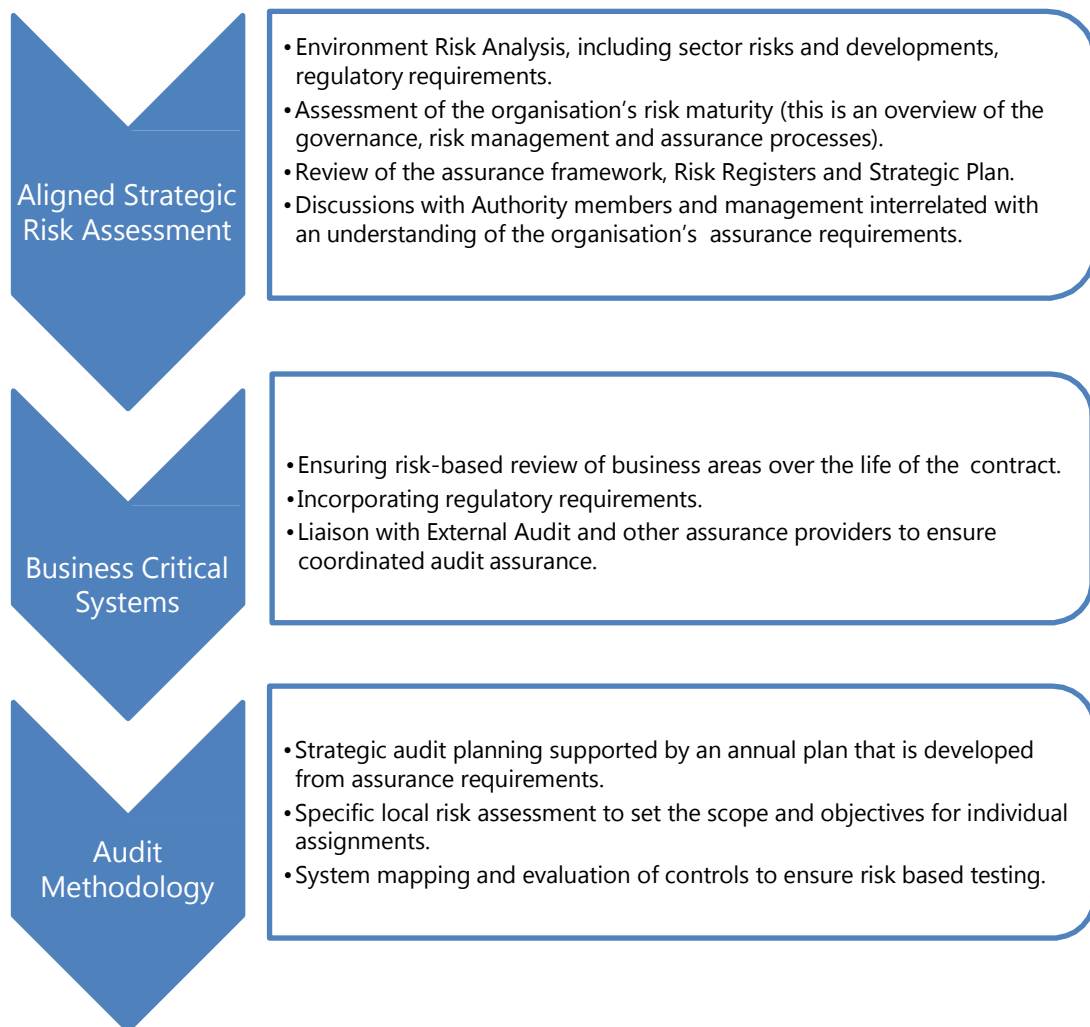


Figure 1 Audit Planning Risk Based Approach

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.



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 our communities
4. Making the best use of the resources we have
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 based on an indicative risk assessment and aims to prioritise coverage on a combination of risk rating, organisational impact and recognition of the organisation's wider assurance mechanisms. The strategic internal audit plan will be subject to annual risk assessment. A detailed operational plan for 2014/15 demonstrating the risk source in relation to each output 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	✓		
Delivery of Strategic Plan			✓
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	✓	✓	✓

**As the contract was let on an 'outcomes' basis, the input days are not included and will not be used as a basis for monitoring. However, to enable the plan 'size' to be appreciated, the tendered service equates to approximately 70 standard input days. Differential rates have been applied in the bid costing process.*

Appendix A: 2014/15 Detailed Operational Plan

The 2014/15 operational plan is provided below. The risk source references the utilization of your assurance framework, annual plan and other key documents, discussions with key officers, along with our knowledge and experience of the challenges facing the sector and specifically the Fire Authority.

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. The scope of the review will be restricted to the key controls supplemented with analytical review and surveys. Discussions will be held with External Audit to confirm coverage and ensure complementary working. The systems incorporated in the review (and covered through an agreed cyclical programme) will be:</p> <table border="1" data-bbox="193 898 890 1055"> <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</td> </tr> </table>	Financial Reporting	Accounts Payable	Treasury Management	Budgetary Control	Financial Ledger	Accounts Receivable	Asset Management	Payroll	<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							
<p>Savings Plan Review – the review will evaluate and challenge the ‘business case’ approach to identify and deliver innovative and efficiency based reviews and the associated programme monitoring and outcome management against key delivery milestones.</p>	<p>Ensuring an effective efficiency programme demonstrates VFM and effective financial and operational control</p>	<p>Audit Risk assessment</p>								
PERFORMANCE										
<p>Performance Management – To review the systems and processes to ensure the accuracy, completeness and quality of data (e.g. Service Performance Indicators) contained within the Performance Reports to the Authority. This review of performance management would be linked with risk management and seek to provide a view on developments towards a more risk/outcome based performance management approach, data quality used within HFA reports and their format and content.</p>	<p>Robust performance management arrangements underpin sound and reliable decision-making to ensure achievement of planned service outcomes</p>	<p>Strategic Plans</p>								



Core Plan Outputs	Outcomes	Risk Source
<p>Business / Community Safety – To review the arrangements in place for the business/community safety work undertaken to ensure that it is in line with the Authority's arrangements and is targeted at the areas of greatest risk.</p> <p>This review would include an organisational intelligence and risk perspective to assess how business/community safety work focus is determined. This links with risk and performance management processes as well as community and partner engagement. Specific focus will be around the CBSL programme and the effectiveness of Technical Fire Safety staff and Community Safety Advocates in terms of business, community and partner engagement, prioritisation, VFM.</p>	<p>Business intelligence and its appropriate use is fundamental in ensuring resources are appropriately targeted to achieve reduced risk of injury, loss of life and community impact.</p>	<p>Strategic Plans</p>
OPERATIONS		
<p>IT Infrastructure - We will review the organisation's Post Implementation Review (PIR) of its Wide Area Network through an assessment of the quality of the project evaluation process and associated outcomes.</p>	<p>Effective project planning and management underpins robust control over limited resources and demonstrates a learning culture.</p>	<p>Management Directed</p>
<p>VFM - Mobile computing - We will consider the VFM of mobile technology and the effectiveness of the development, configuration and management of mobile devices to ensure the requirements of the organisation are met and optimised.</p>	<p>Mobile technology and its effective use underpins an efficient and effective organization which is innovative. Risks of inappropriate and sub-optimal use must however be mitigated.</p>	<p>Management Directed</p>
<p>Operational Reviews - A combination of self assessment, analytical review and specific risk based audit testing will be completed to provide opinion on the controls and systems in place at a local level across a range of areas including fleet and asset management, resource deployment, workforce management etc.</p> <p>Proposed focus in 2014/15 is around vehicle utilisation which incorporates both usage and fuel. This would incorporate the service wide fleet of 'grey' vehicles i.e. support service cars and those allocated to on-call operational officers.</p>	<p>Service based reviews underpin appropriate assurance of resource use and provide essential visibility of the audit function.</p>	<p>Audit Risk assessment/ Management Directed</p>

Core Plan Outputs	Outcomes	Risk Source
GOVERNANCE RISK & LEGALITY		
<p>Governance Arrangements – A review of the organisation’s Board arrangements to assess the effectiveness of the structure and overall framework.</p>	<p>An effective governance framework facilitates delivery of strategic objectives in the most efficient and effective way.</p>	<p>Audit Risk assessment/ Management Directed</p>
FOLLOW UP & CONTINGENCY		
<p>Follow-up - will be conducted throughout the year to provide the GAS Committee with assurance regarding management’s implementation of agreed actions.</p>		
AUDIT COMMITTEE, PLANNING & MANAGEMENT		
<p>In providing an internal audit service an allocation of time is required for the management of the contract.</p> <ul style="list-style-type: none"> • 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. • 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.

Your Team

In the delivery of our range of services we maintain a balance between having consistency in the staff working on your contract whilst introducing new staff with experience of working in other organisations. We have found this to be a very effective method of operating which has enabled our staff to develop familiarity and experience of your financial systems and the specific issues you face and has provided your staff with recognised points of contact with whom they can discuss audit issues.



Tim Crowley
(CPFA)

Director

Tim has worked in senior audit, assurance and governance roles in the health sector for over 30 years. As Director of MIAA he leads an organization with a national reputation for the delivery of audit and assurance services to the NHS. In particular, he has a track record of achievements in the areas of standard setting and development; assurance design; and board engagement on audit and assurance matters.

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Steve Connor
(CPFA, MBA)

Deputy Director

Steve has overall responsibility for MIAA business development along with the delivery, performance and resource management across all of MIAA's clients. This includes keeping MIAA at the forefront in terms of Internal Audit practice.

Steve also supports organisations and their Audit Committees in all aspects of Audit and Governance, bringing in his wealth of experience as a member of the IIA Technical Committee and HfMA Audit and Governance Committee.

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Benita Jones
(CPFA, MBA)

ECAC

Partner Lead

Benita has 24 years experience across the public sector in external and internal audit, accountancy and risk management positions. Her roles have required regular work alongside senior officers and elected members/non-executive Directors at a strategic level.

In her role as Director of Audit with East Coast Audit Consortium she will provide local senior presence and visibility in the delivery of the MIAA contract.

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Tony Cobain
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Head of IM&T

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Tony has undertaken major consultancy and secondment assignments at a national and regional level. He is co-author of the NHS Information Security Code of Practice and has worked as part of the development team for the security elements of the NHS Information Governance Toolkit.

He has led and personally undertaken significant assignments relating to:

- the merger and transfer of services to shared IT services
- service management and governance including compliance with relevant ISO and SDI standards
- security management including compliance with ISO 27001
- vulnerability assessment and penetration testing

Kim Burns

Senior Auditor

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Kim Burns qualified as ACCA in 2001 and is now a Fellow (FCCA).

Located in Willerby, Kim has spent a significant proportion of her time at a range of clients (particularly within operational areas) and has undertaken work at Yorkshire Ambulance Service.

Richard Barton

Senior Auditor

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Richard is a member of the Institute of Chartered Accountants in England and Wales (ICAEW), having qualified with Ernst & Young in 1994. He has a BSc (Hons) degree in Mathematics. He has previous experience as a Financial Accountant and Commercial Accountant in the private sector.

Richard has performed internal audit reviews at a number of different organisations, including CCGs, Acute and Foundation Trusts, as well as education and CIC clients.

