

## APPENDIX A

Buckinghamshire and Milton Keynes Fire Authority



# Draft Internal Audit Strategy and Annual Plan for 2017/18

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Presented to the Overview and Audit Committee  
8 March 2017

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## 1 Introduction

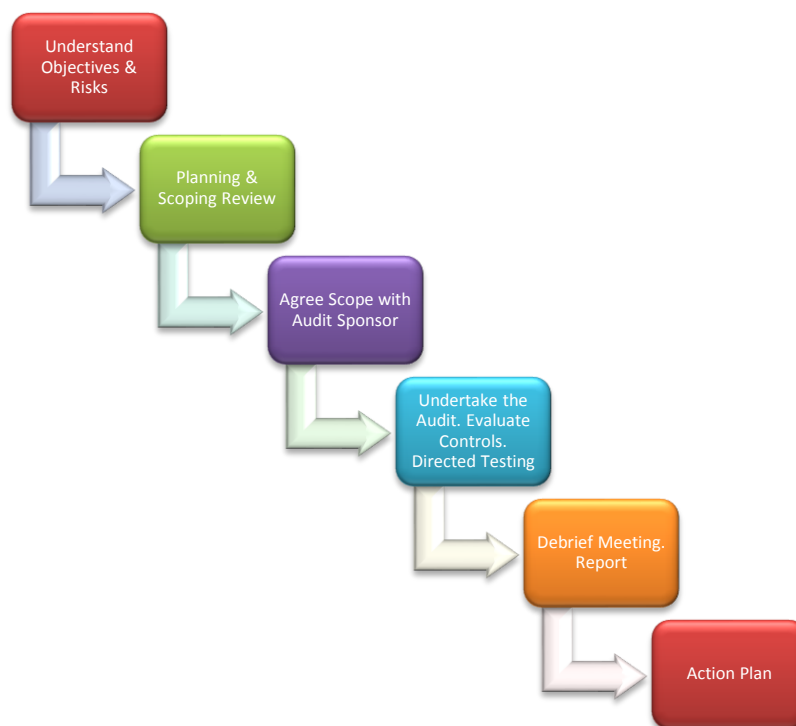
- 1.1 This paper details the Internal Audit Strategy for 2017/18 and the proposed Internal Audit Plan for the year. The Plan will be subject to regular review and presented to the Overview and Audit Committee on a quarterly basis, together with a progress report, for approval.
- 1.2 The responsibility, status and authority of Internal Audit at the Fire Authority is outlined within the Constitution and Financial Regulations.

## 2 Internal Audit Strategy

- 2.1 The Accounts and Audit Regulations 2015 (R5) state that the Fire Authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Proper internal audit practices are defined in the Public Sector Internal Audit Standards (adopted from 1 April 2013).
- 2.2 The Public Sector Internal Audit Standards defines Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.3 The Chief Internal Auditor provides this opinion in an annual report on the System of Internal Control, which is used to inform the Fire Authority's Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Authority. This includes reviewing internal control systems for key processes on a risk basis.
- 2.4 The Internal Audit Service is provided as part of a service level agreement with Buckinghamshire County Council. The Council's Internal Audit Service is delivered in partnership with the London Audit Framework, hosted by the London Borough of Croydon. This partnership arrangement includes an element of a "call off contract" should it be necessary to outsource specific technical audits such as ICT or complex contracts.
- 2.5 A key part of the strategy is ensuring the right skills mix and resources exist to deliver an effective service. For the 2017/18 Internal Audit Plan, we aim to provide continuity in the resources we allocate for the audit assignments; an Audit Manager will oversee the programme of work, ensuring work is delivered on time and to the correct quality, and will present the quarterly plans and progress reports to the Overview and Audit Committee; suitably qualified and experienced auditors will be allocated to undertake the audit assignments.

- 2.6 The Annual Internal Audit Plan is drafted for the approval of the Overview and Audit Committee, in consultation with the Senior Management Board, with consideration of the Fire Authority's Corporate Plan, Strategic Risks and previous audit activity. There will remain a significant emphasis for internal audit activity in reviewing financial systems and compliance with the governance framework; however, the Plan also reflects other strategic reviews that will be progressed during 2017/18.
- 2.7 The plan and allocation of audit days will be regularly reviewed by the Audit Manager and the Director of Finance and Assets to ensure the focus of the audit activity is directed to the key risk areas where independent assurance is required.

### Our Approach to an Internal Audit Assignment



- 2.8 In order to underpin the Annual Audit Opinion, a risk based methodology will be applied to all audit assignments, providing assurance that key controls are well designed and operating effectively to mitigate principal risk exposures. Terms of reference will be prepared for each audit assignment, in consultation with the relevant Manager, to ensure that key risks within the audited area are identified.
- 2.9 The quality of work is assured through the close supervision of staff and the subsequent review of reports, audit files and working papers by an Audit Manager. Exit meetings are held with the relevant officers to ensure factual accuracy of findings and subsequent reporting, and to agree appropriate action where additional risk mitigation is required.

### 3 The Internal Audit Plan

- 3.1 The Internal Audit Plan for 2017/18 is outlined within Appendix A. Of those audits listed within Appendix A, it is proposed that the following audits will be undertaken in Quarter 1:
- Corporate Governance
  - Fleet Management
- 3.2 Each audit assignment will result in a specific audit report although the audit methodology will vary depending on the requirements of the scope of work.
- 3.3 In accordance with the Audit Strategy, we will audit the processes in place for governance, financial management and risk management on an annual basis. We will continue to work with the External Auditors to ensure the scope of our work is sufficient that they can seek to place reliance on it for their audit of the Statement of Accounts and value for money opinion.
- 3.4 Implementation of the Internal Audit Plan will be monitored by use of Performance Indicators as outlined in **Appendix B**. These will be discussed at service level agreement meetings with the Director of Finance and Assets.

## Responsible Officers

### **Audit Service**

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### **Fire Authority**

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## Appendix A – Internal Audit Plan 2017/18

Auditable Area	Key Audit Objectives	Day Budget (Timing)	Risk Assessed
Core Financial Controls	<p>To fulfil our statutory responsibilities, we will undertake work to provide assurance over key controls within the financial governance framework. Key systems that will be tested include:</p> <ul style="list-style-type: none"> <li>• Financial Control/Monitoring</li> <li>• Procure to Pay</li> <li>• Payroll &amp; Pensions</li> <li>• Debtors</li> <li>• Capital</li> <li>• Financial Regulations</li> <li>• General Ledger</li> <li>• Reconciliations</li> <li>• Treasury Management</li> </ul> <p>This review will include a follow up of the 2016/17 audit report.</p> <p>The budgeted days have been increased due to implementation of new Finance and HR systems.</p>	50 days (Q3/4)	High
Corporate Governance	To provide assurance over the Authority's governance framework and to ensure that controls are operating effectively in practice and in accordance with the CIPFA SOLACE guide.	10 days (Q2)	High
Fleet Management	This audit will provide assurance on the controls in place over the use of pool vehicles and compliance with the Fleet Management Policy.	10 days (Q1)	High
Property Management	This audit will provide assurance on the system for property maintenance, including conditions surveys, prioritisation of works, information processes, and the management of planned against responsive works.	10 days (Q2)	High
Contingency	A contingency has been included within the audit plan to provide flexibility and in recognition of an expected but as yet unspecified need. If the days remain as at the beginning of Q4 then they will be used to review some key Governance areas such as Project Management and Contract Management, with the agreement of the Director of Finance and Assets.	15 days	

Follow Up - general	To ensure all 2015/16 and 2016/17 medium and high recommendations of significant nature are implemented, in addition to recommendations still outstanding from previous years.	10 days	Various
Corporate Work	A proportion of the total audit resource is made available for 'corporate work'. Corporate work is non-audit specific activity which still 'adds value' or fulfils our statutory duties. Examples of this type of work include attendance and reporting to Management and Committee, and audit strategy and planning work. This also includes developing the Audit Plan, writing the Annual Report and undertaking the annual Review of Effectiveness of Internal Audit.	10 days	N/a
<b>Total</b>		<b>115 days</b>	

### *Types of Audit Approach*

The audit techniques to be used will be selected from the following, depending on which is considered to be the most effective for delivering the audit objectives:

#### *Risk Based Audit (Risk)*

A full audit which focuses on key risks in relation to system objectives. Audit work will be structured to direct audit resource in proportion to risk exposures.

#### *Systems Based Audit (Systems)*

A full audit in which every aspect and stage of the audited subject is fully considered. It includes review of both the design and operation of controls. Undertaken from a systems perspective with a 'cradle to grave approach'.

#### *Key Controls Testing (Key)*

Clearly focused on a small number of material or key controls.

#### *Systems Development Audit (SDA)*

Ongoing review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control if the plans and designs go ahead as they are.

#### *Verification Audit (Verification)*

Where there is pre-existing confidence that controls are well designed, but compliance is a material issue, audits which test only for compliance with controls can be appropriate. Audit undertaken to verify key outcomes. This work normally takes the form of checking data and management actions to confirm accuracy and appropriateness and does not consider controls or risks in the wider sense.

#### *Follow Up*

Work undertaken to assess the extent to which management action plans have been implemented. This may be following up our own recommendations from previous years or through follow up of other assurance provider outcomes (e.g. External Audit).



## Appendix B – Previous Audit Activity and Assurance Levels

	2012/13	2013/14	2014/15	2015/16	2016/17
Core Financial Controls	✓ (Reasonable)	✓ (Substantial)	✓ (Substantial)	✓ (Substantial)	✓ (TBC)
Asset Management System (Project)	✓ (Reasonable)				
HR Workforce Planning, Training and Appraisal / Performance Management	✓ (Reasonable)				
Property Management	✓ (Reasonable)				
Treasury Management		✓ (Substantial)	✓ (Incl. in Core Financial Controls)	✓ (Incl. in Core Financial Controls)	✓ (Incl. in Core Financial Controls)
Fleet Management		✓ (Reasonable)			
ICT Strategy		✓ (Reasonable)		✓ (Reasonable)	
Asset Management System		✓ (Limited)		✓ (Reasonable)	
Corporate Governance			✓ (Reasonable)		
Risk Management			✓ (Substantial)		
Housing Accommodation and Allowances			✓ (Reasonable)		
HR People Management			✓ (Substantial)		
Pensions Administration				✓ (Reasonable)	
Control Centre				✓ (Reasonable)	
Financial Planning					✓ (Substantial)
Business Continuity					✓ (TBC)
Project Management					✓ (Reasonable)

## Appendix C - 2017/18 Internal Audit Performance Indicators

	Performance Measure	Target	Method
<b>1</b>	Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc.)	Internal Audit Performance Monitoring System
<b>2</b>	Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 Days	Internal Audit Performance Monitoring System
<b>3</b>	Elapsed Time between issue of Draft report and issue of Final Report	15 Days	Internal Audit Performance Monitoring System
<b>4</b>	% of Internal Audit Planned Activity delivered by 30 April 2018	100% of Plan by End of April 2018	Internal Audit Performance Monitoring System
<b>5</b>	% of High and Medium priority recommendations followed up after implementation date	All High and Medium recommendations followed up within three months of the date of expected implementation	Internal Audit Performance Monitoring System
<b>6</b>	Customer satisfaction questionnaire (Audit Assignments)	Overall customer satisfaction 95%	Questionnaire
<b>7</b>	Extent of reliance External Audit can place on Internal Audit	Reliance placed on IA work	External Audit Annual Report

We will also continue to monitor performance standards outlined in the service level agreement. This includes ensuring requests for assistance with suspected cases of fraud (% of responses made within 24 working hours) as appropriate and also monitors relationship management issues in the areas of:

- Timeliness
- Willingness to cooperate/helpfulness
- Responsiveness
- Methodical approach to dealing with requests
- Quality of work/service provided