

Buckinghamshire & Milton Keynes Fire Authority



Internal Audit Strategy and Annual Plan 2022/23

Overview and Audit Committee

16 March 2022

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1. Introduction

- 1.1 Buckinghamshire Council's (BC) Business Assurance Team is responsible for implementing Buckinghamshire and Milton Keynes Fire Authority's (BMKFA) Internal Audit Strategy through delivery of work programmes in accordance with the agreed Service Level Agreement. This paper details the Internal Audit Strategy for 2022/23 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 2017.
- 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 Council. The Council's Internal Audit Service is delivered in partnership with the APEX 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 2022/23 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 2022/23. **Appendix B** is the Fire Authority's Audit Universe, which is a list audits performed in previous years and the awarded assurance opinions.
- 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 2022/23 is outlined within Appendix A.

- 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. 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).

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 Key Performance Indicators as outlined in **Appendix C**. These will be discussed at service level agreement meetings with the Director of Finance and Assets.

4. Responsible Officers

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Appendix A – Internal Audit Plan 2022/23

Auditable Area	Key Audit Objectives	Days 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, which consists of the following key systems:</p> <ul style="list-style-type: none"> Financial Control/Monitoring Procure to Pay Debtors Capital Financial Regulations General Ledger Reconciliations Treasury Management <p>All audit findings from the 21/22 review will be followed-up to ensure that actions have been fully implemented.</p>	30 days	High
HR/Payroll – Process Mapping	Due to the process weaknesses in HR/Payroll identified in the 20/21 Core Financial Controls audit, end-to-end process mapping will be undertaken in this area, followed by substantive testing of the key payroll controls to ensure that control weaknesses have been addressed. This audit was planned for FY21/22 however, was deferred due to new staff being recruited into the Payroll Team during the year. Work is planned for Q1 as the new officers will have settled into their roles.	15 days	High
Business Continuity and Risk Management	The Authority's objective for the system is to ensure that the Fire and Rescue Service have plans in place to manage incidents and emergencies that may have an adverse effect on service delivery. The scope will cover the Business Continuity Policy, guidance and risk management processes and IT Disaster Recovery planning to ensure the Service also has associated continuity plans covering critical areas. The audit will involve discussion with the officers and staff who are responsible for the management of the risk controls as well as compliance testing to identify whether the controls in place to minimise the risks are operating effectively.	15 days	High
Pensions Administration	The main objective of the Pension function is to ensure that the correct employer and employee contributions are received; retirees are paid the right amount at the right time, and the pension fund is managed effectively and in line with legislative requirements.	10 days	High
Inspection and Operational Improvement Plan Assurance	To provide assurance on the improvement plan and ensure that agreed actions are being implemented and agreed timescales are achievable.	10 days	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.	10 days	N/A
Follow-Up General	To ensure all outstanding medium and high recommendations raised in previous audits are implemented.	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
Total		110 days	

Below is a list of auditable areas identified during the development of the plan and will be noted as contingency audits or will be considered for the next year.

Auditable Area	Days Budget (Timing)
Partnership Working	10
MTFP Savings and Efficiencies	10

Appendix B – Audit Universe (Previous Audit Activity and Assurance Level)

Audit	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2022/23
Core Financial Controls	✓ (Reasonable)	✓ (Substantial)	✓ (Substantial)	✓ (Substantial)	✓ (Substantial)	✓ (Substantial)	✓ (Substantial)	✓ (Substantial)	✓ (Substantial)	(TBC)
Asset Management System (Project)	✓ (Reasonable)									
HR Workforce Planning, Training and Appraisal / Performance Management	✓ (Reasonable)									
Property Management	✓ (Reasonable)					✓ (Substantial)				
Treasury Management		✓ (Substantial)	✓ (Incl. in Core Financial Controls)	✓ (Incl. in Core Financial Controls)	✓ (Incl. in Core Financial Controls)	✓ (Incl. in Core Financial Controls)				
Fleet Management		✓ (Reasonable)				✓ (Substantial)				
ICT Strategy		✓ (Reasonable)		✓ (Reasonable)						
Asset Management System		✓ (Limited)		✓ (Reasonable)					✓ (Partial)	
Corporate Governance			✓ (Reasonable)			✓ (Substantial)				
Risk Management			✓ (Substantial)							
Housing Accommodation and Allowances			✓ (Reasonable)							
HR People Management			✓ (Substantial)							✓ (Reasonable)
Pensions Administration				✓ (Reasonable)						
Control Centre				✓ (Reasonable)						
Financial Planning					✓ (Substantial)					
Business Continuity					✓ (Reasonable)					
Project Management					✓ (Reasonable)					
Information Security							✓ (Reasonable)			
Project Management BLH							✓ (Reasonable)			
Stores							✓ (Limited)			
Cyber Security								✓ (Reasonable)		
Performance Management								✓ (Reasonable)		
Budget Monitoring and Forecasting								✓ (Substantial)		
GDPR									✓ (Partial)	
Resource Management System (IT Application Audit)									✓ (Partial)	
Procurement Governance and Compliance										(TBC)
Portfolio Management Office Assurance										(TBC)
Asset Management Process Mapping										(TBC)
Blue Light Hub – Post Project Evaluation										(TBC)

* Please note that the assurance opinions were changed in 2020/21 where we introduced 'Partial' as a new conclusion on the system of internal control. However, effective 2022/23 these were revised to be in line with the CIPFA recommended opinions.

Appendix C – 2022/23 Internal Audit Key Performance Indicators

	Performance Measure	Target	Method
1	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
2	Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 Days	Internal Audit Performance Monitoring System
3	Elapsed Time between issue of Draft report and issue of Final Report	15 Days	Internal Audit Performance Monitoring System
4	% of Internal Audit Planned Activity delivered by 30 April 2023	100% of Plan by End of April 2023	Internal Audit Performance Monitoring System
5	% 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
6	Customer satisfaction questionnaire (Audit Assignments)	Overall customer satisfaction 95%	Questionnaire
7	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