

Hampshire Fire and Rescue Authority

Governance Committee

Item 7

28 March 2012

Strategic Internal Audit Plan 2012/13

Report of the Treasurer

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1 Summary

- 1.1 The purpose of this paper is to provide the Governance Committee with an overview of the Strategic Internal Audit Plan for 2012/13 to 2014/15 (attached at Appendix 1) and to highlight key changes to the internal audit focus and approach.

2 Recommendation

- 2.1 That the Governance Committee endorses the Internal Audit Plan for 2012/13 to 2014/15.

3 Background

- 3.1 A new three year Internal Audit Strategy was approved by the Governance Committee in March 2011. The strategic audit approach was significantly adapted to ensure it:
- aligns with Hampshire Fire and Rescue Authority (HFRA) objectives;
 - is proportionate and focused; and
 - adds maximum value to the organisation.
- 3.2 This report presents a review of the Internal Audit Strategy and any key changes to the internal audit focus and approach to take effect from 1 April 2012. Changes are reflected in the internal audit plan for 2012/13.

4 Review of the internal audit strategy and annual audit plan

- 4.1 Our review concluded that, although the current strategy remains appropriate, there are some specific changes affecting the Authority which have been taken into account in internal audit planning and these will need to be continually reviewed.
- 4.2 These include the possible outcome of the 'Joint Working in Hampshire' programme which, if agreed, would result in a single

entity providing support services (ICT, Finance, Occupational Health, Human Resources and Procurement) to three organisations (Hampshire County Council, HFRA and Hampshire Constabulary). The annual internal audit plan will need to take account of this possibility and be flexible during the year to ensure the new arrangements provide a robust control framework.

- 4.3 Other changes are taking place including a significant programme of savings and efficiencies across the Service designed to ensure that the Service is able to live within its means. The impact of this on the capacity of the organisation and the organisation's control and assurance framework will need to be carefully monitored.
- 4.4 There are also some major programmes being implemented in the Service: a replacement station at Basingstoke; a networked control system covering 4 Fire and Rescue Services; and a new system (FireWatch) which will be the basis for assessing availability of firefighters to respond to incidents. This activity will have an impact on areas such as procurement, programme management including risks and other interfaces with key control systems (e.g. payroll).
- 4.5 During 2011/12 there has been significant change in the senior management at HFRA, with the retirement of the Director of Corporate Services and the appointment of a new Director. In order to ensure that the audit plan takes account of the views of the new Director, planning meetings were held during February.
- 4.6 A planning meeting was also held with the Chief Officer. He was looking for the work of Internal Audit to:
- provide challenge to the Service from which it can learn and develop;
 - offer strategic conclusions and learning;
 - be proactive and alert the Service to best practice or emerging issues from elsewhere; and
 - ensure that the work of the Internal Audit team was maximised and truly added value.

He recognised that there is a core level of internal audit which is required to provide the assurance that an appropriate and effective control framework exists.

- 4.7 As a result of these detailed planning meetings, changes were made to the content of the annual internal audit plan, to ensure that it provides a flexible, high level strategic focus on the key

risk areas, whilst providing audit coverage necessary to support the annual internal audit opinion. The detailed plan is attached at Appendix A – this shows that the same number of days will be delivered in 2012/13 as originally planned, but that as a result of agreed changes future coverage is reduced.

- 4.8 One of the tasks identified in the plan will be joint work to further develop a map of the assurance framework which currently exists in the Service. Where possible, we will seek to place reliance on other forms of assurance. For example, there is a recognition that the existing Internal Audit team may not be able to provide specialist expertise in all areas identified during planning (e.g. Health and Safety legislation). In such a case, the Authority will commission specialist expertise as appropriate and the annual internal audit plan will be adjusted to reflect reliance placed in this work.
- 4.9 Within the plan for each year there is flexibility to respond to the changing or emerging needs (e.g. the shared services programme) and also to provide an input which may not be in the form of a traditional internal audit report. This could be providing advice / training based on the auditor's awareness of issues / learning points raised elsewhere.
- 4.10 The HFRA uses a number of support services currently provided by Hampshire County Council. In these cases the Authority is able to benefit from the internal audit work undertaken for HCC on the core systems without duplicating audit work.
- 4.11 A revised Service Level Agreement was agreed in August 2011 to reflect the new Internal Audit Strategy and this is attached at Appendix 2 for information.

5 Finance / Performance

Staffing

- 5.1 During 2011/12, we took the opportunity afforded by key senior management changes at HFRA to review internal audit contract management arrangements. As a result, the Head of Audit role has been rotated, whilst the nominated Audit Manager will continue to manage the day to day delivery of the contract.
- 5.2 As from 1 February 2012, we entered into a shared service arrangement for audit services with Southampton City Council. The impact of this change is that we will extend the new matrix style approach, using a resource pool of multi disciplinary auditors capable of forming into teams as audit projects determine.

Reporting

- 5.3 A revised report format was implemented during 2011/12 and we propose to continue preparing reports in this format. However, we have agreed to include in each report alongside the Management Actions a section on the learning for the HFRS / HFRA which arises from the internal audit work. So, for example, an audit report on a specific investment programme might identify broader learning about programme management or procurement of communications.
- 5.4 We have agreed a reporting protocol with senior management to ensure that the right people, at the right level, are involved in every step of the reporting process. This provides for nominated sponsors (SMT) to be involved in the planning and reporting of audits to ensure that the audit focus meets all needs.

External audit

- 5.5 We will continue to liaise with the Audit Commission and the successor auditors to ensure that use of audit resources are optimised and unnecessary duplication is avoided.

6 People Impact assessment

- 6.1 The proposals in this report are considered compatible with the provisions of the European Convention on Human Rights, the Human Rights Act 1998 and the Race Relations (Amendment) Act 2000.

7 Resource implications

- 7.1 The cost of internal audit is provided for in the Authority's revenue budget.

Section 100 D – Local Government Act 1972 – background papers

The following documents disclose facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report.

NB the list excludes:

Published works.

Documents which disclose exempt or confidential information as defined in the Act.

None