

Internal Audit Strategy and Plan 2019/20

Hampshire Fire and Rescue Authority:
Standards and Governance Committee



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations 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'.

Hampshire Fire and Rescue Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising Hampshire Fire and Rescue Authority that these arrangements are in place and operating effectively.

Hampshire Fire and Rescue Authority's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the organisation's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Organisation. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of Hampshire Fire and Rescue Authority and reported to the Standards and Governance Committee through regular progress reports.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Karen Shaw, Deputy Head of Southern Internal Audit Partnership, supported by Beverly Davies, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

'It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of these principles. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.'

There are no instances across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Organisation Risk

Hampshire Fire and Rescue Authority are currently reviewing their framework and approach to risk management. The strategic risks assessed by the organisation are a key focus of our planning for the year to ensure the internal audit plan meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

Developing the internal audit plan 2019/20

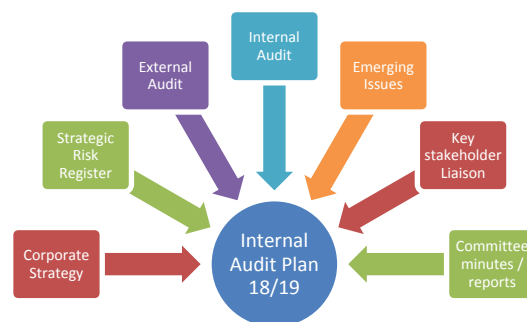
We have used various sources of information and discussed priorities for internal audit with the following people:

- Rob Carr, Head of Finance
- Shantha Dickinson, Director of Performance and Assurance
- Head of Performance

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the coming year.

Hampshire Fire and Rescue Authority are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Shared Services

Services provided under the shared service arrangements with Hampshire County Council, Hampshire Constabulary and the Police and Crime Commissioner for Hampshire continue to be reviewed via a joint internal audit plan that provides assurance to all parties to avoid duplication of effort, however changes to this approach are proposed from 2019/20 for some areas as outlined below. All three organisations contribute audit days to this plan. An internal audit protocol for this work has been agreed with partner and shared services management.

Shared Services - International Standard on Assurance Engagements No. 3402

ISAE 3402 has been developed to provide an international assurance standard for allowing public bodies to issue a report for use by user organisations and their auditors (user auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting.

The Integrated Business Centre (IBC) is a shared service function hosted by Hampshire County Council, delivering transactional processing and business support services to a growing number of public sector bodies. Such services include general ledger; Order to Cash; Purchase and Payables; Cash & Bank; Payroll; and Information Systems.

Due to the significance of the business processes provided on behalf of partner organisations it is appropriate for Hampshire County Council to provide assurance on its service through compliance with such international standard requirements.

Historically the Southern Internal Audit Partnership have provided assurance to partnering organisations through their audit coverage and subsequent year end assurance on the framework of governance, risk and control. Assurance against the international standard will be provided by Ernst & Young moving forward.

The SIAP will continue to provide assurance to the Hampshire Fire and Rescue Authority and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan outlined below and subsequent annual report and opinion.

Internal Audit Plan 2019-20

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing
HFRS audit plan				
Local management of shared service processes	Director of People and Organisational Development	To review the local management of resources and pay claims following the 2018/19 reviews of these areas and introduction of new processes.	STR03	Q4
Risk management	Director of Policy and Planning	Following organisational change to review the robustness of risk management processes, including the identification, recording, management and monitoring of risks.	STR01 STR03 STR05	Q4
Disaster recovery and business continuity	Director of Policy and Planning	To review the arrangements in place for non-IT related disaster recovery and business continuity.	STR01	Q2
Health and Safety	Director of Policy and Planning	To review the governance and management arrangements to ensure that roles and responsibilities are clearly defined, staff are trained and that processes are clearly documented and complied with to meet requirements.	STR05	Q1
Procurement processes	Head of Finance	To review the procurement processes managed directly by HFRS rather than the Shared Services Procurement Team.	STR03	Q2
Proactive fraud work	Director of Performance and Assurance	Annual - 2019/20 scope to be determined		Q3

Audit	Audit sponsor	Scope	Link to Strategic Risk Register	Proposed Timing
NFI	Director of Performance and Assurance	Statutory requirement for data matching		Q3
IT Disaster recovery and business continuity	Chief of Staff	Following the 2018/19 audit, to review the arrangements in place for IT disaster recovery and business continuity.	STR01	Q4
IT follow up (including cyber security, IT strategy, information management etc)	Chief of Staff	To assess progress in implementing management actions for IT reviews carried out during 2018/19.		Q4
Follow up	Various	To assess progress in implementing management actions for reviews carried out during 2018/19.		Q4
Other audit activities		This includes preparation of the audit plan, annual internal audit report, advice and attending management and committee meetings.		Q1-4
TOTAL DAYS			185	Note – this includes a contribution of 20 days to the Shared Services plan below and some contingency for issues arising during the course of the year.

Shared Services Internal Audit Plan 2019-20	Risk	Scope
Governance arrangements	Insufficient management oversight, control and reporting leading to poor decision making.	Governance arrangements continue to evolve and will do so further with the introduction of new partners. Scope to be agreed.
IR35	Non-compliance with legislative changes.	To review compliance with IR35 legislation.
Disclose & Barring Service	Suitability of staff to undertake roles is not confirmed.	DBS checks are correctly identified, carried out and recorded.
Success Factors	Recruitment processes are not sufficiently robust and timely to meet needs of the recruiting organisation.	Review of the recruitment processes following the implementation of Success Factors.
Treasury management	Borrowing and investment decisions are inadequate leading to increased risk of higher costs or loss of funds.	To review controls, including the implementation of the changes to the Prudential Code.
Master Data Team	Ineffective change control	Robustness of controls and compliance for changes made by the employee master data team.
Payroll - Pension admin	Starters and leavers are not accurately identified and notified to the relevant pension service.	To review robustness of controls and compliance for pension administration.

Shared Services Internal Audit Plan 2019-20	Risk	Scope
Procurement	Non compliance with EU Regulations and Contract Procedure Rules.	To review procurement processes and compliance with EU Regulations and agreed policies. (£100k+).
Contract Management	Poor contract management leads to poor value for money.	Review of Building Term contract management arrangements.
Contingency		As needed following the change of approach in 2019/20.