



**South Wales Fire and Rescue Service**

**Internal Audit Annual Plan and Strategic Plan**

**2015/16**

**March 2015**

## Internal Audit Annual Plan

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### INTRODUCTION

This Annual Plan is drawn up in accordance with the Terms of Reference of TIAA and the Internal Audit Strategic Plan. It is the responsibility of the Finance Audit and Performance Committee of South Wales Fire and Rescue Service to determine that the number of audit days to be provided and the planned audit coverage is sufficient to meet the requirements of the organisation.

### INTERNAL AUDIT ANNUAL PLAN

The Annual Plan (Annex A) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews. The rolling strategic plan is set out in Annex B. The rolling strategic plan will be subject to ongoing review and could change as the risks change for the organisation.

The planned time set out in the Annual Plan for the individual reviews includes: research, preparation and issue of terms of reference, production and review of working papers and reports and site work. The timings shown in the Annual Plan assume that the expected controls will be in place. Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of South Wales Fire and Rescue Service and additional time will be required to carry out such testing. South

Wales Fire and Rescue Service is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

### LIAISON WITH THE EXTERNAL AUDITOR

We will liaise with South Wales Fire and Rescue Service's External Auditor. Any matters in the areas included in an Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

### LIMITATIONS AND RESPONSIBILITY

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to

identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

**REPORTING**

**Assignment Reports:** A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of the Public Sector Internal Audit Standards (PSIAS).

**Progress Reports:** Progress reports will be prepared for each Finance Audit and Performance Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

**Annual Report:** An Annual Report will be prepared for each year in accordance with the requirements set out in the IIA-UK Internal Audit Standards. The Annual Report will include our opinion of the overall adequacy and effectiveness of South Wales Fire and Rescue Service’s risk management, control and governance processes.

**ASSESSMENT OF THE KEY RISK CONTROL OBJECTIVES**

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance mapping process is set out in Annex C.

**AUDIT REMIT**

The Audit Remit (Annex D) formally defines internal audit’s purpose, authority and responsibility. It establishes internal audit’s position within South Wales Fire and Rescue Service and defines the scope of internal audit activities.

**PERFORMANCE**

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan (Figure 1 below):

*Figure 1 - Performance Targets*

Area	Performance Measure	Target
Achievement of the plan	Completion of Planned Audits	100%
	Audits Completed in Time Allocation	100%
Reports Issued	Draft report issued within 10 working days of exit meeting	95%
	Final report issued within 10 working days of receipt of responses	95%
Professional Standards	Compliance with Public Sector Internal Audit Standards	100%

**RELEASE OF REPORT**

The table below sets out the history of this plan:

<b>Date plan issued:</b>	13 <sup>th</sup> February 2015
<b>Date revised plan issued:</b>	11 <sup>th</sup> March 2015

## Annual Plan – 2015/16

Quarter	Audit	Type	Days	Scope
1	Governance - Performance Management	Compliance	6	The review considers the arrangements for collection and reporting of “core” PI data in accordance with the Welsh Government’s requirements. The review will also consider any recommendations made in the 2014/15 report. The Wales Audit Office will provide a checklist in accordance with their requirements for testing.
1	Governance - Partnerships	Appraisal	6	The review will consider the arrangements for working in partnership with other bodies, and the extent to which the arrangements mitigate against any current financial liability and also any residual financial liability for the Authority after the partnership is concluded. The review will include consideration of the extent to which the arrangements accord with best practice guidance on partnership arrangements. The review does not include consideration of the extent to which the Authority and/or the Service is delivering its commitments to the partnerships and/or the extent to which the partners are being their obligations under the partnership agreements.
1	Risk Management Assurance Mapping	Appraisal	6	The review considers the actions taken by the organisation to put in place and effective process for mapping the assurance received against the risks associated with the achievement of the corporate plan objectives to provide a structured internal control assurance environment including the appropriateness of the monitoring arrangements. The scope of the review does not include providing assurance that the arrangements cover all the risks facing the organisation or that the controls and/or monitors identified by the organisation are operating continuously and effectively.

Quarter	Audit	Type	Days	Scope
1	Asset Registers	Assurance	6	The review considers the identification of assets that need to be recorded in the asset register, the identification, locating and recording of assets; inventories; and the disposal of assets. The assets reviewed will include fleet, IT, Property and operational equipment to ensure that there is a consistent approach across the service. The scope of the review does not include consideration of the purchasing, depreciation policies or insurance arrangements.
1	Pensions Administration Scheme	Assurance	5	The review considers the arrangements for: the creation, amendment and deletion of pension records and payment of pensions. The review also considers compliance with the Fire Fighters Pension Scheme guidance to ensure correct treatment of ill health/injury award retirements The scope of the review does not include determination of pension rates, retirement and reappointment of staff and severance payments.
2	Purchasing Cards and Fuel Cards	Assurance	5	The review considers the arrangements for: the identification of need, sourcing, approving and receipt of the goods and services through the purchasing and fuel cards. The review will also consider the effectiveness of the monitoring arrangements for procurement and fuel card purchases. The scope of the review does not include tendering arrangements.
2	Station Visits	Regularity	4	The review will consider the arrangements for complying with the organisation's financial procedures at two whole-time and two-part time crewed stations.
2	HR – Management responsibilities	Appraisal	6	The review will appraise the effectiveness of the responsibilities delegated to the management tier in the organisation are monitored. The review will only consider the financial, HR and data collection and monitoring responsibilities.

Quarter	Audit	Type	Days	Scope
3	New HR/Payroll System	Assurance	6	The review considers the arrangements for: the creation, amendment and deletion of payroll records; payment of allowances and pay awards; and payment of salaries. The scope of the review does not include determination of salary scales, appointment and removal of staff, severance payments or reimbursement of travel and subsistence expenses, or pension arrangements.
3	Estates Management – Energy	Assurance	4	The review considers the energy management arrangements to include monitoring of data/ performance indicators, operational controls and energy plans/objectives and targets. The scope of the review does not include the procurement of energy contracts or energy systems included in capital builds/refurbishments.
4	Key Financial Controls	Compliance	6	This review considers the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Association's requirements: Budgetary control. General ledger. Cash, banking & treasury management. Cash flow planning. Income & debtors. Payments. Payroll. Security of assets.
4	Follow Up		3	The review ascertains whether management action has been taken to address the Priority 1 & 2 recommendations arising from selected internal audit work carried out at the organisation during the previous two financial years.



Quarter	Audit	Type	Days	Scope
1	2015/16 Annual Plan		1	
1	Strategic Plan		1	
4	2015/16 Annual Report		1	
1-4	Audit Management		7	This time includes attendance at Finance Audit and Performance Committee meetings and overall contract management.
		<b>Total days</b>	<b>73</b>	

## Rolling Strategic Plan

Review Area	Type	Days Required		
		2015/16	2016/17	2017/18
<b><u>Governance</u></b>				
Governance – Performance Management	Compliance	6	6	6
Governance – Partnerships	Appraisal	6		
Governance – Strategic Control	Assurance		6	
Governance – Strategic Planning	Assurance			6
<b><u>Risk Management</u></b>				
Risk Management – Assurance Mapping	Appraisal	6		
Risk Management – Mitigation Arrangements	Appraisal		6	
Risk Management – Anti Fraud	Appraisal			6
<b><u>ICT</u></b>				
ICT – Management Controls	Assurance		5	
ICT – Network Security	Assurance			5
<b><u>Finance</u></b>				
HR / Payroll System	Assurance	6		
Purchasing Cards and Fuel Cards	Assurance	5		
Pensions	Assurance	5		
Procurement	Assurance		6	
Payments	Assurance			6

Review Area	Type	Days Required		
		2015/16	2016/17	2017/18
Key Financial Controls	Compliance	6	6	6
<b><u>Estates Management</u></b>				
Asset Registers	Assurance	6		
Estate Management - Energy	Assurance	4		
Estate Management - Capital projects	Assurance		6	
Estate Management - Maintenance	Assurance			6
Fleet Management - Usage	Appraisal		6	
Fleet Management – Fuel	Appraisal			6
<b><u>Services</u></b>				
HR – Management responsibilities	Appraisal	6		
HR – Rosters	Appraisal		6	
HR Management	Assurance			6
Station Visits	Regularity	4	4	4
<b><u>Other</u></b>				
Follow up	Follow Up	3	3	3
Strategic Plan		1	1	1
Annual Plan		1	1	1
Annual Report		1	1	1
Audit Management		7	7	7
	<b>Totals</b>	<b>73</b>	<b>70</b>	<b>70</b>



## Assurance Mapping

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### Corporate Assurance Risks

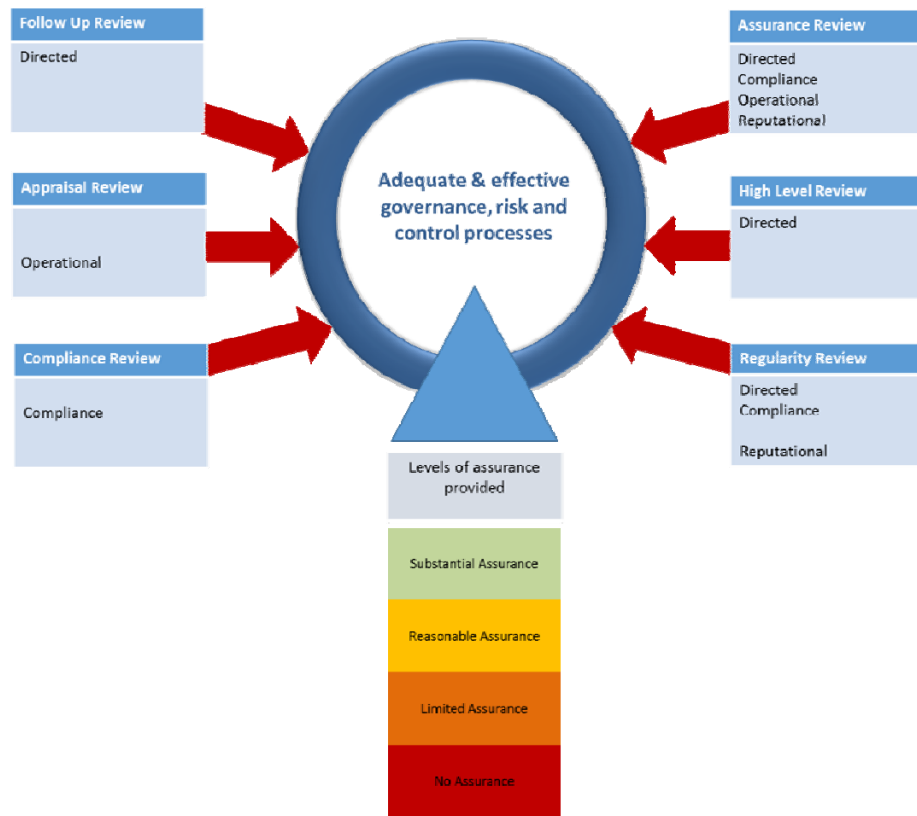
We consider four corporate assurance risks; directed; compliance; operational and reputational. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

### Assurance Assessment Gradings

We use four levels of assurance assessment: substantial; reasonable, limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

### Types of Audit Review

The Annual Plan includes a range of types of audit review. The different types of review focus on a one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.



## Audit Remit

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### Role

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the South Wales Fire and Rescue Service's framework of governance, risk management and control. TIAA is responsible for giving assurance to South Wales Fire and Rescue Service's board (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of South Wales Fire and Rescue Service's risk management, control and governance processes.

### Scope

All South Wales Fire and Rescue Service's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that South Wales Fire and Rescue Service's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions. However, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, Finance Audit and Performance Committee or the

nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

### Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS.

### Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of South Wales Fire and Rescue Service and is authorised to obtain such information and explanations as they consider necessary to form their opinion.

### Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day to day administrative purposes only, TIAA reports to a nominated officer within South Wales Fire and Rescue Service and the reporting arrangements must take account of the nature of audit work

undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Finance Audit and Performance Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with South Wales Fire and Rescue Service's management.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to. The objective of any consultancy work is to add value and improve governance, risk management and control processes. Internal audit will never take or assume management responsibility.

### **Irregularities, Including Fraud and Corruption**

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2003.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that he or she can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

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