

## Internal Audit Plan 2019/20

### Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance, on 01743 260215.

### 1 Purpose of Report

The report recommends that the Fire Authority approve a one year extension to the programme of audit work for 2019/20, as set out in the appendix, to reflect the major system changes being undertaken.

### 2 Recommendations

The Committee is asked to recommend that the Fire Authority approve the one year extension to the audit plan for 2019/20, as set out in the report.

### 3 Background

On 7 December 2017 the Audit Performance and Management Committee agreed an audit plan for 2018/19, the final year of a three year programme. In July 2018, this plan was updated to reflect the significant proposed change on the delivery of the Fire Authority's key financial systems.

The revised plan was developed to address the priority risks to the Authority, whilst maintaining sufficient coverage to satisfy the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015, part 2 which sets out the requirements on all relevant authorities in relation to internal control, including requirements in respect of accounting records, internal audit and review of the system of internal control.

Specifically:

‘A relevant 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.’ Due to the continuing development of the Payroll, Human Resources and Finance systems, officers have approached Shropshire Council to request that the current audit programme is extended for another financial year.

#### **4 Approach to the Audit Programme**

Given the transition the Authority is going through, and after discussion between managers and the Head of Audit, the attached Internal Audit Plan is proposed to reflect the areas of highest risk in 2019/20. The plan includes reviews of an IT and general nature of the new systems to be implemented, in Finance and Payroll. In addition, assurance will be looked at in respect of supporting contracts with the third party provider of the new systems and the governance processes of the Authority overall. This will satisfy the statutory requirements of Internal Audit in delivering the service and the strategic risks of the Authority.

In order to prevent unnecessary resources on following up recommendations in respect of previous financial systems, it was agreed in July that internal audit will only test implementation of ‘significant’ and ‘fundamental’ recommendations. In 2018/19, ‘best practice’ and ‘requires attention’ recommendations are being reviewed based on an updated management response to the recommendation raised. No actual testing will be undertaken in respect of the responses received.

This is being monitored by the Authority’s Risk Management Group.

The revised programme of audits for 2019/20 are shown in the appendix to the report.

#### **5 Financial Implications**

There are no direct financial implications arising from this report.

#### **6 Legal Comment**

Under the Accounts and Audit Regulations 2015, there are legal obligations on the Treasurer to maintain sound and proper financial management on behalf of the Authority. This report provides compliance with that obligation by putting in place arrangements for an effective internal audit arrangement.

#### **7 Initial Impact Assessment**

An Initial Impact Assessment form has been completed.

## **8 Equality Impact Assessment**

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Human Resources 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment is not, therefore, required.

## **9 Appendix**

Strategic Audit Plan for Shropshire Fire and Rescue Service 2019/20

## **10 Background Papers**

There are no background papers associated with this report.

## Internal Audit Plan 2019/20

Audit Area	Link to Financial Regulations	Audit Priority based on Risk	2019/20 Original	Comments
General Ledger Maintenance and Accounts	Yes		EXT	
Payroll system	Yes	High	8	Payroll systems review
IT Application Review – Payroll System	Yes	High	8	Full application review of new system
IT Application Review – Finance System	Yes	High	8	Full application review of new system
IT Contract Management	Yes	High	4	Review of contract management process in respect of IT provision from a third party
Financial Systems Review	Yes	High	8	To include creditor payments, budget management controls, capital and reconciliations.
Recommendation follow up			2	Follow up significant recs from 2018/19 and review management responses on requires attention / best practice recommendations
<b>Sub total</b>			<b>38</b>	<b>Days</b>

Audit Area	Link to Financial Regulations	Audit Priority based on Risk	2019/20 Original	Comments
NFI	Yes		0	No Return in 2019/20 SFRS will monitor own matches from 2018/19 exercise.
Risk Management	Yes	High	2	
Corporate Governance	Yes	High	2	
Review of Annual Governance Statement	Yes	High	1	Required for 2018/19 Accounts
Fraud and Corruption		High	0	To be incorporated into the control testing for payroll, finance systems and application reviews
Reporting and liaising with client			2	
Audit Planning and Needs Assessment			2	
Audit Committee			6	
Contingency			0	
<b>Sub Total</b>			<b>15</b>	<b>Days</b>
<b>Total</b>			<b>53</b>	<b>Days</b>