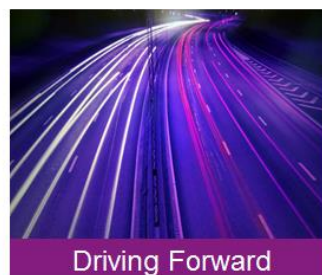
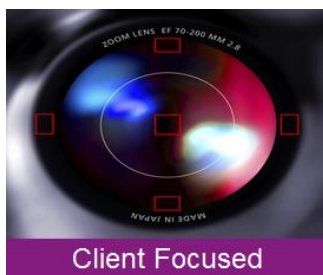




Internal Audit Strategy (DRAFT)

2016/17 – 2018/19

Dorset and Wiltshire Fire and Rescue Services



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INTRODUCTION

INTERNAL AUDIT

The purpose of internal audit is to provide the Authority, Finance and Audit Committee and the Chief Fire Officer with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Authority's agreed objectives. This opinion forms part of the framework of assurances that the Authority receives and should be used to help inform annual internal control and governance statements. Internal audit also has an independent and objective consultancy role to help line managers and team leaders improve risk management, governance and control.

The purpose of this document is to provide the Authority with an Internal Audit Strategy (IAS), based upon an assessment of audit need. The Audit Needs Assessment (ANA) represents a critical ingredient in the provision of adequate relevant and timely internal audit to the Authority. It is used to direct internal audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives and where internal audit can provide assistance to the development of control. This ensures that internal audit's efforts are effectively prioritised and focused upon the Authority's key objectives and current issues, so that the benefits from investment in audit are maximised through the development of an informed and effective IAS.

Our Responsibilities

Our professional responsibilities as internal auditors are set out in the Institute of Internal Auditors' (IIA) International Professional Practice Framework (IPPF) 2013 and the Public Sector Internal Audit Standards (PSIAS) 2013.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the Authority has in place to:

- Establish and monitor the achievement of the organisation's objectives.
- Identify, assess and manage the risks to achieving the organisation's objectives.
- Formulate and evaluate policy, or provide policy advice, within the responsibilities of the Chief Fire Officer.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies, procedures, laws and regulations, including the organisation's own governance arrangements.
- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data.

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 weaknesses which exist or all improvements which may be made. Acceptance and effective implementation of recommendations arising from our work makes an important contribution to the maintenance of reliable systems of internal control, risk management and governance.

Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Responsibility for the identification, investigation and response to fraud rests with management.

Inherent risks exist within all organisations due to the nature of their activities and can never be completely removed; therefore these risks must be effectively managed in order to ensure that the aims, objectives and targets for the organisation are achieved. For this reason the Authority establishes internal controls that are specifically aimed at addressing these risks and managing residual risk exposure.

Internal audit therefore reviews those areas subject to highest inherent risk, evaluates the control environment and reports formally upon the findings.

The ANA process drives the development of the IAS and directs internal audit resources to those areas of the Authority's activities that are assessed as presenting the greatest risk to the achievement of its objectives.

FLEXIBILITY

Please note that the IAS will be refreshed annually and there is flexibility to reallocate days in-year (subject to Finance and Audit Committee approval) to reflect any emerging issues.

CONSIDERATIONS REQUIRED OF THE FINANCE AND AUDIT COMMITTEE

We propose the IAS as detailed within Appendix A of this document based upon our assessment of the Authority's audit need established through the process detailed in section 2.

It is the responsibility of the Finance and Audit Committee to consider and approve the Strategy. It is therefore important that as a Committee you are comfortable with the proposed strategy, we believe the following to represent some of the key considerations required:

- Does the IAS (as set out at Appendix A) appropriately cover the Authority's key risks as they are recognised by the Committee?
- Does the strategy include all those areas that the Committee would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management and the Committee?
- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?
- Does the periodic plan for the coming year (as set out at Appendix B) reflect the areas that the Committee believe should be covered as priority in 2016/17?

DEVELOPING THE INTERNAL AUDIT STRATEGY

THE AUDIT NEEDS ASSESSMENT (ANA) PROCESS

Our audit approach is risk based. In order to identify the areas that require internal audit coverage, we need to understand the risks facing the organisation.

We have undertaken the needs assessment using the following process:

- We confirmed the core objectives of the Authority and the specific key risks associated with the achievement of those objectives through analysis of key documents and discussion; and
- Considered the sources of assurance available to the Authority and identified areas where internal audit is the appropriate provider.

The ANA also identified areas of coverage where internal audit can provide a tangible input to assurance, for example:

- Requirements and guidance issued by funders or regulators (where applicable);
- Work required in order for external audit to place reliance on internal audit work of core financial systems in accordance with the managed audit concept;
- Areas of concern flagged by management or Committee;
- Emerging issues; and
- Need for ongoing assurance in relation to key aspects of internal control.

AUDIT TIMING

We have assessed each system in terms of its relative importance and its likely risk impact on the Authority and have allocated a number of audit days to the audit of each system within a three year strategy which aims to utilise the available resource to focus upon and comprehensively audit those areas of significant risk included in the risk register.

The timing of audits within the strategy has been arrived at through consideration of:

- The priority for each area of coverage, in terms of levels of risk to the Authority.
- Whether there are management or Authority concerns regarding a particular area.
- Whether or not there have been significant systems, staff or organisational changes.
- Time since the last audit of the area and the outcomes of that audit.
- When specific risks are considered likely to impact upon the Authority.

AUDIT RESOURCES

Our professional judgement has been applied in assessing the level of resource required to for each particular assignment within the strategic cycle. The level of resource applied depends upon:

- System complexity.
- Factors such as number of locations, transactions and frequency.
- The assurance which can be brought forward from previous audits.
- The objectives and scope of the proposed audit.

OTHER RESOURCE ALLOCATIONS

Further resource allocation is provided for within the IAS in the following areas:

Audit Management

The allocation is used by the Director and Manager level for quality control, client and external audit liaison and for preparation for, report and attendance at Finance and Audit Committee meetings.

Follow Up

Utilised to assess the degree of implementation achieved in relation to previous audit recommendations.

Contingency

Provision made in accordance with professional standards which will only be utilised should the need arise, for example, for unplanned and ad-hoc work and will be subject to prior approval in accordance with the Authority's normal procedures.

MANAGED AUDIT

All professional standards are now consistent in respect of Managed Audit; the external auditor should not direct the work of internal audit but rather review the work of internal audit and determine whether they may place reliance upon the work of internal audit when forming their opinion.

We work with external audit to maximise the reliance placed upon our work and release our files for external review.

Through this process the external auditor may satisfy themselves over any areas of mutual risk which are of interest between the assurance providers and rely upon the work of internal audit as they see fit.

Likewise it is not always necessary for internal audit to test controls directly in order for the organisation to gain assurance on them. In arriving at the IAS, we have taken into consideration the assurances that can be obtained from other review bodies (where applicable). The results of their work should be used to better focus the scope of internal audit activity.

FREQUENCY OF REVIEW

We will revisit and review the IAS on a continuous basis in order to ensure that it continues to address the current needs of the Authority and we will do this through maintaining a continuous dialogue with management and Finance and Audit Committee.

A formal update will be performed each year to inform the annual periodic plan, but changes may be necessary in-year and these will be discussed with our contacts and taken to Finance and Audit Committee for approval.

COMPLETENESS OF ASSESSMENTS & FUTURE REVIEWS

Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting internal audit plan annually. However, if additional risks arise, or change in priority during the year, the audit plan will be reconsidered with management and, with the approval of Finance and Audit Committee, amended to ensure that audit resources are focused on the new risk areas. Where appropriate we have cross-referenced the IAS to the Authority's Strategic Objectives and

the Risk Register to provide assurance to the Finance and Audit Committee that the proposed internal audit plan closely reflects the required assurances over your key controls.

KEY FINDINGS

FINANCE AND AUDIT COMMITTEE

We propose to discuss this draft IAS with Shadow Finance and Audit Committee at their meeting on the 23 March 2016; observations and requests will be explicitly noted below and the Strategy updated as necessary:

Key Messages & Findings	IA Plan Reference	Year
1. To be updated if required post discussion with Shadow Finance and Audit Committee meeting on 23 March 2016.		
2.		
3.		

*Scope to be agreed.

The proposals to be presented to the Authority Board meeting on 1 April 2016.

AUDIT NEEDS ASSESSMENT MEETING

We met with representatives of the Executive team in order to further develop our knowledge of the Authority, its key operations and discuss priorities for internal audit input from the organisation's perspective on the 17 February 2016. The key areas identified from our discussions are:

Key Messages and findings	IA Plan Reference	Year
1. Readiness audits have been undertaken by both internal audit and external audit which show that the Authority is on track to accomplish a successful merger for 1 April 2016.	Annual Report	Awareness
2. All senior management posts have yet to be filled	Governance	2017/18
3. Three office locations would be used initially at Salisbury, Potterne and Dorchester, with future restructuring anticipated following achievement of a stable position post-merger in relation to back office functions.	All	Maintain awareness
4. Significant attention was currently being given to establishing a new culture for the merged body through the development of an 'Improvement Plan' which would address emerging issues relating to morale and engagement.	Possible contribution to Project team	2016/17
5. It is anticipated that a Governance Review of the merged body would be conducted within two years of its establishment.	Governance	2017/18*
6. The use of key performance indicators as a basis for reporting on progress and achievement will be developed as	Performance Management	2017/18

part of the business planning process		
7. Value for money is likely to be a key theme and should be a focus for internal audit across all areas as the Authority seeks to maximise use of resources.	Cross Cutting theme	2016/17
8. The Authority has developed an integrated assurance framework linked to the use of the Syphos system	Risk Management	2016/17*
9. Integration of policy and procedures was in progress with recognition that in HR area significant challenges exist	HR	2017/18
10. Establishment post control was in the process of being introduced	HR/Payroll	2016/17 KFC* 2017/18
11. Information Management Systems migration represents a significant challenge for the Authority as it merges systems	Management Systems/IT Migration Plan	2016/17

* Scope varies by year; to be agreed with Authority.

PREVIOUS INTERNAL AUDIT WORK

We have considered previous internal audit reports to ensure that any areas of concern which require a further review or follow-up are included within the Strategy, although we await annual reports from both previous internal auditors which will inform our work.

All outstanding recommendations from the year 2015/16 will be followed up and incorporated into our Follow Up schedule with non-compliance being reported to the Finance and Audit Committee.

RISK REGISTER & ASSURANCE FRAMEWORK

We have reviewed the Authority's current Risk Register (as at January 2016) to ensure that those areas of greatest risk to the Authority are appropriately included within the IAS; for this purpose we have included all 'Red' priority risks.

To avoid duplication of effort and ensure the best use of resources we will consider the other sources of assurance available to the Authority; we refer to this as the Assurance framework with which we will familiarise ourselves during 2016/17.

Where the Authority receives appropriate assurance on those risks within the Risk Register via other assurance providers or third parties we place reliance upon that work, review the outcomes where appropriate and avoid duplication of effort.

If control failings are identified, action plans instigated or projects established we may direct resource towards providing assurance over the arrangements in place to address those risks, improve controls or the governance arrangements in place to monitor progress against plans.

Risk Description	IA Plan Reference	Year
1. Failure to secure a unified culture Service wide.	Improvement Plan	2016/17
2. Low morale and staff engagement following change and transition	Improvement Plan	2016/17

3. Failure to retain and attract key staff with appropriate skills and experience	HR	2017/18
4. Failure of workforce and succession planning arrangements to meet the future needs of the Service	HR	2017/18
5. Increase in number of employment related issues & disputes due to decisions made during the transitional process.	HR	Maintain awareness
6. Failure to secure financial sustainability	KFC	Budgetary Control 2017/18
7. Failure to commit to the delivery schedule expectations of the transformational bid for the Safety Centre.	No coverage	
8. Failure to have a robust and financially sustainable retained duty system to meet the needs of the Service.	Business Planning/Performance Management	2017/18
9. Uncertainty of the future vision & governance arrangements for Fire and Rescue Services.	Governance	2017/18

* Scope varies by year; to be agreed with Authority.

The Authority's external audit provider is KPMG ; we will liaise with the external auditor, make available all reports and provide access to our files to maximise the reliance placed upon our work (if appropriate). We will review the annual Management Letter points and follow up significant control issues through our Key Financial Controls review.

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APPENDIX A – INTERNAL AUDIT STRATEGY 2016/17 – 2018/19

Audit	Description	IA Risk Appraisal	Allocation of Resource		
			2016/17	2017/18	2018/19
Governance					
Strategic Planning	Production, monitoring and management of corporate strategic plans and alignment of departmental plans to ensure the co-ordinated achievement of objectives.	High		✓	
Risk Management & Business Continuity	Review of the Risk Management and Business Continuity Frameworks; Forwards looking review of risk management and business continuity arrangements and the approach to embedding arrangements.. To inform Head of Internal Audit Annual Opinion regarding integrated assurance.	High	5		
Corporate Governance	Ensuring there is an adequate framework of controls with regard to the Authority, and the way it discharges its responsibilities, committees, delegated authorities, planning, and accountability. To inform Head of Internal Audit Annual Opinion.	High	5		
Performance Management	Review of controls exercised over KPI data collection, analysis and reporting arrangements to provide assurance over information relied upon by and reported to and by the Authority.	High		✓	
Cultural Alignment & Development	Review of forward looking cultural alignment and Development programme	High	10		
Support systems					
Key Financial Controls	Annual review of key financial controls to ensure the accuracy of management information upon which decisions are based.	Medium	15	✓	✓
	Cyclical review of specific financial systems- areas include: - Budgetary Control (suggested focus area for 2017/18) - General Ledger - Payroll & Expenses - Procurement (suggested focus area for 2016/17) - Creditors - Bank - Income & Debtors - Treasury / Investments - Fixed Assets and inventories (focus in 2016/17 on integration of asset and inventory record systems)		5	✓	
			5		
Business Case management	Review of processes for submission, prioritisation and approval of business cases	High		✓	

Audit	Description	IA Risk Appraisal	Allocation of Resource		
			2016/17	2017/18	2018/19
Human Resources	Reviews to ensure that appropriate key policies, procedures and controls operate over workforce planning , recruitment, retention training and development of staff to achieve corporate objectives. Scope to be agreed with management on a cyclical basis. 2016/17 involvement in Improvement Project Team Review of appraisals suggested area for 2017/18.	Medium	5	✓	✓
Absence Management	Review of procedures for recording, monitoring and management of absence	Medium	4		
Secondary Employment	Review of processes for the management of secondary employment	Medium			✓
Health & Safety	Strategic management arrangements in place to ensure compliance and monitoring of health and safety throughout the Authority.	High	5		
ICT Migration and Information Management Systems	Review of and involvement with project plans to migrate data to a single system basis (Corporately and departmentaly)	High	10	✓	✓
Information Governance - Health Check	Health Check - regarding data handing, management and governance of data risks following merger. Supported by further consideration of data security within aligned audit areas. Note new EU General Data Protection Regulation (GDPR) expected enforcement from 2016.	High	5		
IT Health Check	High level IT health check review focusing on key controls surrounding IT strategy, implementation plans, network security, software licensing, email controls, website, internet controls and continuity arrangements. Scope and objectives to be agreed with management prior to commencement. Results to feed the prioritisation of future IT audit work.	High		✓	
Complaints and Whistleblowing, anti-fraud, bribery	Review of procedures to ensure compliance with policy and best practice	High	3		
Communications	Review of processes used to promote effective communication to stakeholders internal and external to the DWFRS	High		✓	
Operational systems					
Departmental / Operational Reviews	Review of management arrangements exercised over departmental / operational activities to ensure attainment of objectives, budgets and the delivery of effective services. Areas for review to be discussed with management and completed in Q4	High		✓	✓
Fuel stock	Review of purchasing, control and use of fuel stocks	Medium			✓
Fleet utilisation	Review of systems for management and monitoring of fleet usage, including maintenance scheduling and costs	High		✓	
On call systems	Review of arrangements for use of 'on-call' provision	Medium			✓
Equipment stores	Review of systems for management of stores	Medium			✓
Station reviews	Review of compliance	Low			✓
Management of the internal Audit Service					

Audit	Description	IA Risk Appraisal	Allocation of Resource		
			2016/17	2017/18	2018/19
Follow Up	Review to provide assurance over the implementation of previously accepted audit recommendations.		3	✓	✓
Management	Quality management, attendance at progress meetings, compilation and update of the Internal Audit Strategy, Internal Audit Annual Report and attendance at Finance and Audit Committee meetings.		10	✓	✓
Total			90	80	70

APPENDIX B – ANNUAL PLAN 2016/17

Shadow Finance and Audit Committee – 23 March 2016

Internal Audit Strategy 2016/17 – 2018/19

Finance and Audit Committee – 6 July 2016		Audit visit scheduled – 24 April 2016	
Visit 1 Audits	Plan Days	Client Contact	Comments
1. Risk Management & Business Continuity	5	Head of Exec & Democratic Services – Jill McCrae	Forward looking assurance
2. ICT Migration	5	Head of ICT – Chris Donaldson	Initial review and timetabling
3. Procurement	5	Procurement Manager - Clare McCallum	Forward looking assurance
4. Workforce Planning	5	Head of HR – Jane Staffiere	Initial review and timetabling
5. Information Governance Management	5	Head of Information and Comms – Vikki Shearing	Forward looking assurance
Total	30		

Finance and Audit Committee – 21 September 2016		Audit visit scheduled – 8 August 2016	
Visit 2 Audits	Plan Days	Client Contact	Comments
6. Fixed assets and inventories	5	Head of Assets – Pete Barrow	
7. Corporate Governance	5	Head of Exec & Democratic Services – Jill McCrae	
8. Information Management System Migration	5	Head of Strategic Planning – Bob Ford	
Follow up	1		
Management	2		
Total	18		

Finance and Audit Committee – November (TBC)		Audit visit scheduled TBC	
Visit 3 Audits	Plan Days	Client Contact	Comments
8. Health & Safety Migration	5	Senior H&S Advisor – John Lincoln	Forward looking assurance
9. Absence management	4	Head of HR – Jane Staffiere	Forward looking assurance
10. Complaints, whistleblowing, anti-fraud and corruption, bribery	3	Head of Information and Comms – Vikki Shearing	
Management	1		
Total	13		

Finance and Audit Committee – 6 April 2017		Audit visit scheduled – TBC	
Visit 4 Audits	Plan Days	Client Contact	Comments
10. Key Financial controls	15	Head of Financial Services - Ian Cotter	
11. Cultural Alignment & Development	10	Head of People Development - TBC	Forward looking assurance
Follow up	2		
Management	2		
Total	29		

Finance and Audit Committee – 2017/18

Internal Audit Annual Report 2016/17 – July 2017 Committee

Internal Audit Strategy 2017/18 – 2019/20 - March 2017 Committee

TOTAL AUDIT DAYS 2016/17	90
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