



SCOTTISH
FIRE AND RESCUE SERVICE

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Report to:	SCOTTISH FIRE AND RESCUE BOARD AUDIT & RISK ASSURANCE COMMITTEE
Date:	26 JUNE 2013
Report By:	HEAD OF INTERNAL AUDIT, ALISTAIR MAY

Subject:	INTERNAL AUDIT PLAN 2013/14
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1 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the internal audit activity planned for 2013/14.

2 RECOMMENDATION

- 2.1 The Board is asked to approve the following recommendation(s):

- 1) That the Internal Audit Plan, attached at Appendix A, is noted.

3 BACKGROUND

- 3.1 Under the terms of the Scottish Government Shared Service arrangements, the Scottish Government Internal Audit Division (SGIAD) has agreed to provide an Internal Audit service for the new Scottish Fire and Rescue Service (SFRS) from April 2013 for a period of up to 2 years initially.

4 INTERNAL AUDIT PLAN

- 4.1 SGIAD has developed an internal audit plan, based on the emerging risk profile, covering an initial 9-month period, and will review and update this plan for the remainder of the year as risk management arrangements become fully embedded. This plan is detailed in Appendix A.

5 EMPLOYEE IMPLICATIONS

- 5.1 2 members of SFRS staff will work with SGIAD in delivering the internal audit plan under a co-sourcing arrangement.

6 FINANCIAL IMPLICATIONS

- 6.1 Internal audit is tasked with reviewing, reporting and providing an independent assurance on the adequacy of risk management, governance and internal control arrangements within the organisation.

7 LEGAL IMPLICATIONS

- 7.1 There are no legal implications associated with the report.

8 EQUALITY IMPACT ASSESSMENT AND CONSULTATION ARRANGEMENTS

- 8.1 Not applicable.

**ALISTAIR MAY
HEAD OF INTERNAL AUDIT**

26 June 2013

Fire Rescue Service Scotland 2013/14 Interim Internal Audit Plan and Progress Report

Introduction

1 Under the terms of the Scottish Government Shared Service arrangements, the Scottish Government Internal Audit Division (SGIAD) has agreed to provide an Internal Audit service for the new Scottish Fire and Rescue Service (SFRS) from April 2013 for a period of up to 2 years initially.

2. SGIAD has worked with SFRS management to develop a broad understanding of the fire and rescue service and to identify the key auditable areas during this initial period.

Development of Audit Plans

3. As set out in the UK Public Sector Internal Auditing Standards, audit plans are developed to address the key risks facing an organisation. Where an organisation has an established and mature Risk Management process, the key risks emerging from that can be used as the primary audit universe. This, combined with an assessment of the audits that could be linked to the identified risks, results in an audit plan for agreement by the organisation's senior management and Audit and Risk Committee (ARC). As a newly formed organisation SFRS has now compiled a high level Risk Register, however its Risk Management system has not been fully developed or embedded. SGIAD is currently working to compile an audit universe for 2013/14 from which audit plans can derive. The SGIAD will continue to work with SFRS to ensure robust Risk Management arrangements are fully established. Meantime we will continue to adapt and develop our plan and take account of any new emerging risks and risk registers.

Internal Audit Plan

4. Annex 1 sets out our proposed audit plan based on our assessment of SFRS's initial needs and the current status of the progress being made. The Plan includes an indicative broad scope for each review but a more detailed Terms of Reference will be developed in consultation with relevant managers nearer the start of each review as part of the audit planning process.

5. As SFRS is still undergoing significant organisational change and its underlying systems continue to develop and mature, we have prepared a 9 month plan initially to provide sufficient flexibility to cover any new priorities identified. It follows that proposals for the remaining 3 months will be submitted to the ARC in the Autumn once these priorities become more clear. Our initial plan focuses on governance arrangements in the newly formed merged body plus the key corporate systems that ensure functionality and continuity. We expect that more specific issues particular to the SFRS will feature in future plans.

6. Members should also note that we are currently engaging with the External Auditors to avoid duplication in audit plans and to ensure that the audit burden on individual business areas is minimised. We are also in the process of identifying if there are any other assurance providers on whom we can place some reliance. If there are, some amendments to the audit plan and scope of audits may be required. The Committee will be kept up to date on any proposed alterations.

Follow Up Activity

7. Prior to the establishment of the new service, Internal Audit reviews were conducted independently within each service area. We anticipate that there will be a number of recommendations outstanding from these reviews. While we do not anticipate conducting full audit follow ups on all of these activities we will conduct an exercise to identify which, if any, recommendations remain valid in the context of SFRS and report any key issues to the Committee.

Capacity and Capability of Internal Audit Staff

8. The operational delivery of the service will be undertaken jointly by SGIAD auditors and SFRS's own Internal Auditors. The resource allocation includes the audit days available for 2 full time internal audit staff within SFRS. The proposed plan at annex 1 provides coverage of 535 resource days, however as this plan is developed and expanded to cover up until March 2013, the total resource days may rise to around 620 days. We are currently estimating the cost of the SGIAD Internal audit provision to be approximately £75,000. This includes the charges (on a non-profit cost recovery basis) for the days required for SGIAD staff and the management of the Internal Audit Programme. The SGIAD's Head of Internal Audit and Audit Manager will oversee the plan and attend and report to the Audit and Risk Committee.

INTERIM INTERNAL AUDIT PLAN

Auditable Area	Audit Activity	Indicative Scope	Resource Allocation	Status
Audit Familiarisation and Planning Activity	N/A	N/A	10	In progress
Governance and Risk Management)	Assurance Mapping exercise.	Develop an initial map of the sources of assurance within SFRS.	30	In progress
	Organisational Establishment	Review the programme management arrangements surrounding the establishment of new organisation and the new Governance arrangements in place within SFRS.	50	
Financial Arrangements	Budgeting	Review of budget setting, monitoring and reporting arrangements.	50	
	Making Payments	Review of key Purchase to Pay processing controls including the use made of P-cards.	80	In Progress
	Tech 1	Review of the new finance system's key security controls and maintenance arrangements.	40	
Payroll	New SFRS Payroll System ¹	On-going review of key controls surrounding the new payroll system.	30	In progress

¹ This audit was commenced by the Strathclyde IA team as part of the 2012/13 plan. The findings and outcomes of this audit remain relevant to the new SFRS and will be used as part of the Payroll work intended for 2013/14

Auditable Area	Audit Activity	Indicative Scope	Resource Allocation	Status
	Payroll processing	Review of payroll processing arrangements established across the SFRS	60	
Procurement and Contract Management	Procurement Framework	Review of high level procurement arrangements operating within the organisation.	50	
Information and Communications Technology	IT Security	Review of key IT security arrangements within the new organisation (based on ISO27001 and Cabinet Office's Security Policy Framework requirements).	50	
	Follow Up Activity	Review of recommendations outstanding from prior reviews.	40	
	Audit Committee attendance and support		20	
	Audit Advice		15	
	Contingency		10	