

## Internal Audit Programme 2008/09 to 2011/12

### Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

#### 1 Purpose of Report

This report recommends a four-year plan of audit work to be commissioned from the Internal Audit section of Shropshire County Council.

#### 2 Recommendations

The Committee is asked to approve the programme of audits, set out in Appendix A, and to add £3,900 as a one-off budget addition to 2008/09.

#### 3 Background

The Treasurer is legally required to maintain sound and proper financial management on behalf of the Fire Authority. This includes a responsibility for maintaining internal audit. Internal Audit has been based for the last few years on a plan of audit, which came to an end in March 2008.

The Treasurer, together with the Internal Audit Section of Shropshire County Council and the Audit Commission have, therefore, examined audit priorities, including reviewing the Risk Register, and have produced an audit plan for the next few years.

#### 4 The Audit Plan – Resources and Delivery

The Authority has previously provided about £11,000 a year to deliver some 45 days of audit each year. It has also contracted with Shropshire County Council to provide the service, both because many of the financial systems used by both Authorities are the same, and also because the service is cost-effective.

The Treasurer has considered the situation and is of the opinion that, to date, internal audit has been effective and good value to the Authority.



Evidence, such as it is, from neighbouring brigades shows that, at 45 days, this Authority provides considerable fewer days than at least three of its neighbours but comparisons can be misleading. Furthermore, there is no evidence – based on both internal and external audit outcomes, and the work of this committee – that the past arrangements are not broadly sufficient.

## **5 Areas Covered by the Plan and Risk Assessment**

The Treasurer has therefore based his planning on a further four-year programme of about 45 days a year. The methodology used has been to examine all audit areas and to assess risk, using factors and weightings developed over a number of years by Local Authority Auditors in the Midlands.

This work has produced scores, which can be categorised into High; Medium High / Low; Low; or De Minimis risk. In addition some areas – notably budgeting, accounting and payroll – are regarded as so fundamental to sound financial management that the Audit Commission normally require that they be audited each year, either by them or the Authority.

The methodology used to determine risk gives, for example, high weighting to significant expenditure or income, where responsibility is devolved, systems instability, potential for fraud, or sensitivity. Most factors are capable of sound quantification for comparison, but some do depend on judgement – particularly sensitivity.

## **6 Proposed Plan**

The Plan now being proposed is set out in Appendix A. It shows each audit area, its risk score, and the amount of days and frequency of audits.

One area where additional considerations came into play was Computer Services. This is a specialist area, and the Computer Auditor has advised that it is also a high risk area. It would, therefore, be sensible and cost-effective to undertake a full General IT Control Review (GITCR). This could be most effectively done at one time and not spread over a number of years, both to give immediate assurance of this fundamental area, and to avoid going back over changing circumstances. Details are set out in Appendix B.

Although supportive of this, officers are obviously concerned over accommodating the IT officer time involved, and have been given assurances that this will not affect ongoing activities. The intention will be to commission the audit to take place in about twelve months' time, which would enable the IT Department to use the audit to support priority work to be undertaken to achieve IT Standard – ISO17799.

A major review will, however, mean a total of 197 days of audit in the four-year plan period, compared to a budget of 180, i.e. additional costs of about £3,900. The Treasurer has looked at whether days could be reduced from other audits, e.g. a further eight days is planned for IT audits in 2011/12,



either to examine physical and environmental controls at fire stations or for internet controls.

There will be an opportunity to review the programme each year, and as a result reduce days should risk be reducing. At present no reductions can be recommended, indeed risks may increase.

The programme also includes four days to audit Budget Preparation and Control. This is as a result of the Audit Commission's anticipating that they will no longer be undertaking this audit. This might result in some offsetting savings in the External Audit fee.

Until the position with the Audit Commission is clarified and in view of the importance of IT to finance, data quality and indeed all aspects of service delivery, it is recommended that an additional £3,900 is found to undertake the GITCR.

## **7 Financial Implications**

The financial implications are as outlined in the report.

## **8 Legal Comment**

There are legal obligations on the Treasurer to maintain sound and proper financial management on behalf of the Authority. This report suggests compliance with that obligation by putting in place arrangements for an effective internal audit arrangement.

## **9 Equality Impact Assessment**

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 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 has not, therefore, been completed.

## **10 Appendices**

### **Appendix A**

Draft Strategic Audit Plan for Shropshire Fire and Rescue Service 2008/09 to 2011/12

### **Appendix B**

Audit Needs Assessment for IT Audit

## **11 Background Papers**

There are no background papers associated with this report.



Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	*
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology	*	West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*



**AUDIT AND CONSULTANCY SERVICES**  
**DRAFT STRATEGIC AUDIT PLAN FOR SHROPSHIRE FIRE & RESCUE SERVICE 2008/09 TO 2011/12**

Audit Area		Risk Score	Audit Priority	Audit Frequency	2008/09	2009/10	2010/11	2011/12	Totals
General Ledger Maintenance and Accounts		DA		AC	DA	DA	DA	DA	
Budget Preparation & Control		123	High	Judgemental	0	2	0	2	4
Data Quality		129	High	One off	5	0	0	0	5
Payroll system - to include enhanced coverage for personnel in one year		127	High	Annual	6	6	8	6	26
Banking Arrangements		120	High	AC/Annual	AC	AC	4	AC	4
Health and Safety		96	Medium Low	1/3	5	0	0	0	5
Creditors System	*	95	Medium Low	1/3	0	0	6	0	6
Computer Services		0			20	0	0	8	28
Purchasing / Procurement	*	94	Medium Low	1/3	0	3	0	0	3
Capital Budgeting and Accounting	*	93	Medium Low	1/3	5	0	0	5	10
Partnerships		93	Medium Low	1/3	0	0	5	0	5
Asset Management		90	Medium Low	1/3	0	3	0	0	3
Income Collection and Sundry Debtors	*	84	Medium Low	1/3	0	6	0	0	6
Vehicle Fleet		83	Medium Low	1/3	0	3	0	0	3
Misc - firefighters pension account		83	Medium Low	One off	3	0	0	0	3
Insurance		78	Medium Low	1/3	0	0	1	0	1
Estates Management		70	Medium Low	1/3	0	0	2	0	2
Misc - travel and subsistence (to include in payroll audit)		62	Low	1/4	0	0	0	1	1
Fire SSA and Statistics		60	De Minimis	0					0
Members Allowances		56	De Minimis	0					0
					<b>44</b>	<b>23</b>	<b>26</b>	<b>22</b>	<b>115</b>
DP/FOI		53	De Minimis	0	0	0	0	0	0
NFI				Annual	0	1	0	1	2
Risk Management and Business Continuity Arrangements			High		2	2	2	6	12
Corporate Governance (to inform AGS)			High		2	2	2	2	8
Review of Annual Governance Statement			High		1	1	1	1	4
Fraud and Corruption			High		2	2	2	2	8
Planning and Reporting					5	5	5	5	20
-Audit Needs Assessment					2	2	2	6	12
Recommendation follow up					2	2	2	2	8
Top up testing for DA			High		2	2	2	2	8
					<b>62</b>	<b>42</b>	<b>44</b>	<b>49</b>	<b>197</b>

\* Fundamental systems (Audit Commission managed audits) not scheduled for annual audits according to the risk scores and audit priorities resulting from the audit needs assessment process.

version discussed KD/JC/GT/KH and AC 13.11.07



## AUDIT NEEDS ASSESSMENT

### SHROPSHIRE FIRE AND RESCUE SERVICE

#### FOUR YEAR STRATEGIC PLAN 2008-2012

#### Background

It should be noted that whilst Shropshire County Council has provided IT Audit as part of its provision of Internal Audit for the Fire and Rescue Service no formal IT Audit needs assessment has been undertaken. As such, the following potential IT Audits have not been selected on a needs basis.

Previous work undertaken includes:

- Data Protection Act 1998 2004/05
- Freedom of Information Act 2004/05
- IT Installation Review 2004/05

In addition to the meeting on 18-09-2007 between the Senior Auditor (Systems) and the ICT Manager the following includes suggested areas of IT Audit for 2008-2012:

#### **General IT Controls Review. (20 Days) High risk.**

The GITCR focusses on the general IT controls in place to protect the IT infrastructure and ensure that IT is managed in a controlled manner. It should be noted that in order to comply with ISA 315 (International standards for auditing), the general IT controls should be reviewed on an annual basis. To undertake a watered down version of this review would not provide the level of assurance required, as such a minimum of 20 days should be assigned to this work. This review will highlight areas where future IT Audit resources can be utilised.

The objectives of this audit are to:

- To ensure that the organisation's use of IT is cost-beneficial, reflects the business plan, is delivered within a control-conscious structure and is responsive to change.
- To ensure there is reasonable segregation of duties for staff, both within the IT department and between the IT and user functions to prevent and/or detect errors or irregularities.
- To ensure that unauthorised access cannot be gained to sensitive data or programs.
- To ensure that the environment in which the systems are run protects their confidentiality, integrity and reliability.
- To ensure systems are available when needed, function as required, are reliable, controllable and cost-effective, have strong data integrity controls and satisfy users' needs.
- To ensure that the 'platforms' on which systems are run are correctly sized, available and reliable and the right systems are run at the right time.
- To ensure that the integrity of the operating system is maintained and that the



system software is adequately secured.

- To ensure that the best use is made of end user computing without introducing unnecessary cost, duplication or risk.
- To ensure that the organisation is not at undue risk by its use of third party services.
- To minimise the likelihood of a major failure and ensure that the business will be able to resume effective operations (within a reasonable period of time) in the event that the existing processing facilities are no longer available.
- To ensure that IT systems satisfy the business needs.

**Physical and Environmental Controls at Fire Stations. (8 days) High risk**

Review of the Physical and Environmental controls in place to protect ICT equipment at the fire stations. This review would provide assurance on the security of the buildings and equipment in respect of the ICT equipment.

The objectives of this audit are to:

- The service complies with internal and external policies and legislation.
- Physical security to buildings and equipment is sufficient
- Siting of computer equipment is planned to take all risks into account
- Adequate insurance cover exists for IT equipment
- The transfer of data and IT facilities to and from the organisation is fully secure
- Disposal procedures are secure and maintain the confidentiality of data
- IT processing undertaken at external centres is fully secure and third-party access to IT facilities is fully protected

**Review of compliance with Brigade Order 16. (8 days) Medium risk.**

Following the documentation of the new Brigade order 16 in May 2007 an audit review of compliance with it would be a good benchmarking exercise.

The objectives of this audit are to:

- Ensure that the Service complies fully with internal requirements in respect of ICT.

**Review of Internet controls (8 days) High risk.**

The objectives of this audit are to:

- Ownership and responsibility for Internet related activity is clearly defined.
- Provision of the Internet service is controlled.
- Security of hardware has been formally assigned.
- Only authorised users have access to the Internet facility.
- There are appropriate Virus controls in place.
- Responsibility for the firewall has been clearly defined.
- The Firewall is administered in line with the organisations IT security policy.
- Logical security of the Firewall is appropriate.
- Physical security of the firewall is in line with the Information Security Policy.
- The firewall has been configured appropriately.
- Appropriate auditing and logging is undertaken.
- Corporate disaster recovery planning is robust.