

Merseyside Fire and Rescue Authority

Internal audit plan for the year 1 April 2007 to 31 March 2008

Cover note

The 2007/08 audit plan amounts to a total resource of **140 audit days** (2006/7: 140 days), with an optional 15 additional computer audit days.

Our approach will build on the arrangements we operated in 2006/07 and we will continue to integrate our approach more closely with the Audit Commission.

The aim of the plan is to focus on an assessment of the risks to the achievement of the Service's objectives, and the provision of assurance that the actions planned to mitigate these risks are adequate and effective. In deriving this plan the internal audit team has:

- Considered the Merseyside Fire and Rescue Authority's risk management process;
- Met the Authority's Executive Director of Resources and the Director of Finance to discuss their assessment of risk and their control environments;
- Made its own assessment of the risks facing the Merseyside Fire and Rescue Authority.

Background

The plan is intended to provide assurance to the Chief Fire Officer, who is required to sign an annual Statement on Internal Control, published with the financial statements.

Regulation 4 of the Accounts and Audit Regulations 2003 requires that:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.”

The responsibility for maintaining and reviewing the system of internal control and for implementing a system of risk management clearly rests with Merseyside Fire and Rescue Service. However the process by which the Statement on Internal Control is made includes obtaining assurances on the effectiveness of key controls and, in practice, these will be substantially drawn from the work of internal audit.

Deployment of audit resources

The planned deployment of audit resources is as follows:

Proposed work	Estimated audit days
Fundamental systems	55
Supporting finance systems	20
Non-financial systems	10
Contingency	45
Follow up reviews	5
Audit management	5
Computer audit – subcontracted	15
Total audit days	155

Each of these areas is explained in more detail below.

Fundamental systems

Any assessment of Merseyside Fire and Rescue Authority's risks would generate a requirement to consider the fundamental systems under-pinning their operations, but work on the corporate systems is also required by the Accounts and Audit Regulations' specific reference to financial management, and also by recent changes to International Standards on Auditing (and therefore the Audit Commission's expectations of our work). Indeed, the Audit Commission (in its draft 2007/08 Audit and Inspection Plan) has suggested that if Internal Audit further develops documentation and testing of material systems annually it may help reduce the Authority's external audit fees.

In undertaking this work we may make use of computer assisted audit techniques to interrogate the systems and the data they hold more effectively. This will enable us to increase our audit coverage of each system, to gain assurance over the operation of the controls over their data, and also proactively to focus on areas susceptible to fraud.

Supporting finance systems

We have identified Income and debtors and procurement for inclusion in the plan as supporting finance systems. We have taken out 'specific grants' from the original 3 year plan, as it is envisaged that this can be picked up as part of the income work. We have also excluded petty cash based on our assessment of the Authority's risks.

Non-financial systems

We plan to build on the performance management work completed in 2006/07 by considering the Authority's overall performance management arrangements. The original 3 year plan split the 10 days between two aspects of performance management; we consider it to be more effective to combine these audit days for one audit review. Further consultation will be required as the detailed scope of our work is developed.

Contingency

The number of days allocated to contingency is significant due to the Authority's ongoing high profile projects. The Private Finance Initiative, the Firefighter Games and Fire World are of sufficient size and risk to necessitate inclusion in the audit plan. In allocating days to all three areas, we have had to reduce the estimated audit days on investigatory work. If further into the financial year, the full allocation is not required for these projects, we will transfer the time accordingly.

Follow up reviews

Audit resources have been identified to ensure that all reviews are followed up and our findings are re-assessed as the actions previously agreed with management are implemented.

Other areas specified within the audit plan

An allocation of 5 days has also been made to cover other management and tasks in support of the internal audit service to the Authority:

- Strategic Planning;
- Liaison with the Audit Commission;
- Liaison with Senior Management; and
- Central reporting (annual and periodic progress).

After each assignment we will prepare a written report which will be sent in draft to the managers who have a direct responsibility for the function being audited and who have the authority to take action on our recommendations and to those others necessary to check factual accuracy. Each report will be discussed with the relevant management and their comments and action plan for addressing recommendations will be included in the final version. Copies of the final report will be provided to the Executive Director of Resources and the Director of Finance.

Our reports on each assignment will:

- State the conclusions reached;
- Make recommendations which are appropriate and relevant; and
- Acknowledge the action taken, or proposed, by management.