EAST SUSSEX FIRE AUTHORITY

INTERNAL AUDIT ANNUAL REPORT AND OPINION 2019-2020

1.   Introduction

1.1   Orbis Internal Audit has provided the internal audit service to the Fire Authority since 1 April 1997 and we are pleased to submit this annual report of our work for the year ended 31 March 2020. The purpose of this report is to give an opinion on the adequacy and effectiveness of East Sussex Fire Authority's framework of internal control.

2.   Internal Audit within East Sussex Fire Authority

2.1   On behalf of the Fire Authority, it is a management responsibility to determine the extent of internal control in the Fire Authority's systems, and it should not depend on internal audit as a substitute for effective controls.

2.2   The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

2.3   Most of the work carried out by internal audit is in the form of risk-based audits which analyse and report upon the existence, operation and effectiveness of internal controls within specified systems, both financial and otherwise. Where appropriate, all audit reports produced have included a management action plan where actions are agreed to enhance the level of control, together with an opinion on the systems reviewed.

3.   Delivery of the Internal Audit Plan

3.1   In accordance with the 2019/20 annual audit plan, a programme of audits, based on an assessment of risk, was carried out across the Fire Authority. During the year and in agreement with the Assistant Director, Resources and Treasurer, the following adjustments were made to the plan:

·   We did not carry-out the following planned audit work:

-    Management of Operational Assets - this was planned to be undertaken in quarter 4 but was suspended as a result of Covid-19.
-    Counter Fraud Training – this was planned to be undertaken in quarter 4 but was suspended as a result of Covid-19.
-    Supply Chain Management Follow-Up (previous partial assurance opinion) – deferred to 2020/21 at the Authority's request where officers acknowledged that work in this area had not progressed sufficiently.
-    HR Business Process Review (to assess revised HR processes prior to implementation) – this has been deferred to 2020/21 at the Authority's request to allow time to recruit to the post responsible for this area.

·   Instead, further work was undertaken in completing an ongoing investigation from 2019/20 in relation to Secondary Employment, and one additional area, at the request of the Assistant Director, Resources and Treasurer, in relation to Retained Duty Support Officer (RDSO) Vehicles (see Appendix A for further details).

3.2   The terms of reference, approach and audit objectives for each audit assignment have been discussed and agreed with the Assistant Director of Resources and Treasurer and other relevant senior officers, to whom internal audit reports are issued for consideration in the first instance, prior to wider consultation and consideration.

4. Audit Opinion

4.1 **No assurance can ever be absolute; however, based on the internal audit work completed, I can provide reasonable assurance[1] that East Sussex Fire Authority has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2019 to 31 March 2020.**
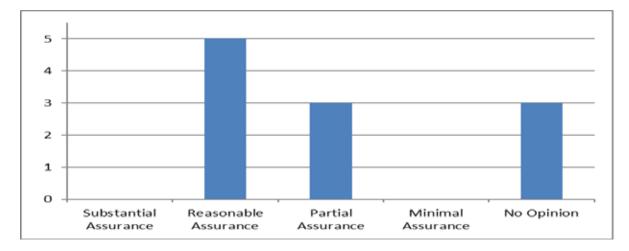
Russell Banks, Orbis Chief Internal Auditor

4.2 Where improvements to control or compliance are required, we are satisfied that appropriate action has been agreed by the relevant managers to ensure these improvements are made within reasonable timescales. The overall level of assurance given also takes into account:

- All audit work completed during 2019/20, planned and unplanned;
- Follow-up of actions from previous audits;
- Management's response to audit findings;
- Ongoing advice and liaison with management;
- Effects of significant changes in the Fire Authority's systems;
- The extent of resources available to deliver the audit plan;
- Quality of the internal audit service's performance.

4.3 No limitations were placed on the scope of internal audit during 2019/20.

5. Summary of Work and Key Findings

5.1 The following chart provides a summary of the outcomes from all audits completed to draft report stage during 2019/20 with standard audit opinions (including key financial system work). An explanation of our assurance levels can be found in Appendix C below.

5.2 A summary of the main findings from these reviews is included at Appendix A. Overall, the majority of audit opinions issued in the year were generally positive. This includes both of the key financial system audits undertaken (Accounts Payable and Payroll) which received reasonable assurance; a contributing factor in forming our annual opinion.

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[1] This opinion is based on the activities set out in paragraph 4.2. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Fire Authority within a single year.

5.3   As per the above graph, there have been three partial assurance opinions during the year. These relate to the audits of:

·   Compliance with Disciplinary, Grievance, Harassment and Bullying Procedures;
·   Procurement Cards; and
·   Retained Duty Staff (RDS) Pay Follow-Up

5.4   For the first two reviews listed above, we are satisfied that management will be taking appropriate action to address the findings of the reviews. Formal follow-up audits in these areas will be undertaken during 2020/21 to assess the extent to which the agreed actions have been implemented. For the RDS Pay Follow-Up, this is at draft report stage and we are awaiting a formal response from management.

6.   Performance

6.1   It is the Fire Authority's responsibility to maintain an effective internal audit service and the information set out below should provide a sufficient basis for making this determination.

6.2   Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2019/20, including the results of our most recent PSIAS independent external assessment, along with the year end results against our agreed targets.

PSIAS

6.3   The Standards cover the following aspects of internal audit, all of which were independently assessed during 2018 by the South West Audit Partnership (SWAP) and subject to a refreshed self-assessment in 2019:

·   Purpose, authority and responsibility;
·   Independence and objectivity;
·   Proficiency and due professional care;
·   Quality assurance and improvement programme;
·   Managing the internal audit activity;
·   Nature of work;
·   Engagement planning;
·   Performing the engagement;
·   Communicating results;
·   Monitoring progress;
·   Communicating the acceptance of risks.

6.4   The results of the SWAP review and our latest self-assessment found a high level of conformance with the Standards with only a small number of minor areas for improvement. Work has taken place to address these issues, none of which were considered significant, and these are subject to ongoing monitoring as part of our quality assurance and improvement plan.

Key Service Targets

6.5   Results against our previously agreed service targets are set out in Appendix B, with a high level of overall performance. However, at 31 March 2020, we had only completed 75% of the revised audit plan to draft report stage. This was partly as a result of delays within the Fire Service responding to our requests for information and access to staff, and due to a small number of audits either being delayed or suspended because of Covid-19. All audits within the revised plan have now been completed to at least draft report stage.

SUMMARY OF INTERNAL AUDIT FINDINGS
For the period of 1 April 2019 to 31 March 2020

Reporting to Fire Authority Management and the Scrutiny and Audit Panel

Where required, representatives from Internal Audit have attended Scrutiny and Audit Panel meetings and offered advice and assistance to management throughout the year. This includes regular liaison meetings with the Assistant Director of Resources and Treasurer and attendance at the Senior Leadership Team, along with the production of the annual report and opinion and annual strategy and audit plan for presentation to the Scrutiny and Audit Panel. Internal Audit has also met separately with the Chairman of the Scrutiny and Audit Panel to discuss the Internal Audit Strategy and Plan.

Audit of Key Financial Systems

The Fire Authority uses the main financial systems of East Sussex County Council. On a cyclical basis, we review the key controls within these systems as part of our programme of key financial system audits.

Accounts Payable

The purpose of this audit was to provide assurance that controls are in place and operating effectively to ensure that:

- Orders are raised for bona fide goods, works or services in accordance with Financial Regulations and the needs of the Authority;
- Only valid and accurate payments are made where goods, works and services ordered have been received; and
- Only valid supplier details are set-up in SAP, and these are adequately maintained.

In completing our work, we were able to provide an opinion of **reasonable assurance** over the controls in place and no material processing errors were identified. We found several areas of good practice, including where:

- Purchase order requisitions are approved by officers with the delegated authority to do so;
- Adequate documentation was available to support both purchase order and non-purchase order payments;
- Robust arrangements are in place for the monitoring and investigation of potential duplicate payments; and
- New supplier request forms are completed in accordance with agreed procedures.

Some areas for improvement were, however, identified, including the need to ensure that:

- Purchase orders are raised where applicable (approximately 25% of purchases made between April 2019 and February 2020 did not have a purchase order where one would be expected);
- The mandatory declaration on purchase requisition forms, to confirm that the requisitioner has undertaken the steps necessary to comply with the Authority's procurement regulations, is signed by the requisitioner; and

- Suppliers are paid in accordance with agreed payment terms, where 17.5% of non-disputed invoices from April 2019 to January 2020 had not been paid on time.

A formal action plan to address these areas was agreed with management.

In addition, we observed that the functionality to approve purchase orders electronically via SAP is still not being utilised (we made the same observation in the previous audit) which could potentially increase efficiency and improve the control environment. Management intend to assess the wider utilisation of workflow in SAP as part of the Finance Improvement Plan.

Procurement Cards

Used appropriately, Procurement Cards (PCards) are a flexible way for staff to buy goods and services. Benefits include being able to buy direct from the internet and local suppliers, enabling more efficient purchasing and better pricing. The card streamlines the procurement process by replacing the need for petty cash, cheque requests, cash advances, low value requisition purchase orders. They are particularly useful for one-off purchases from a supplier.

As of 11th December 2019, there were 116 PCard holders across ESFRS. Between 1st April 2019 and 2nd December 2019, 1,932 PCard transactions were made with a total value of approximately £778k.

This audit sought to provide assurance that PCards are only issued to appropriately authorised and trained staff and are being used only to purchase goods and services that are wholly, exclusively and necessary for the use of ESFRS. We also aimed to establish whether the introduction and roll-out of the PCard programme has delivered the targeted process efficiencies intended by reducing the number of low value purchase orders and invoices that have been raised.

In providing an opinion of **partial assurance**, we found a number of areas of control weakness where:

- Training has not always been undertaken by transactional approvers to ensure they are aware of their responsibilities in scrutinising purchases;
- Maximum transaction values and monthly spend per PCard have not been agreed and set;
- Purchases via PCard being made for operational equipment, particularly equipment that requires asset marking, which contravenes the PCard user guide (between 1 April 2019 and 8 January 2020, 44 PCard transactions were made for items that would be classified as 'asset marked');
- Valid VAT receipts for purchases are not always obtained so that VAT can be reclaimed; and
- No formal process is in place to retrieve a PCard when someone leaves their employment.

In addition, the PCard programme was designed to make it easier and more cost effective for the Authority to make low value purchases of goods and services, for service use. Management consider purchases of goods and services below £1,000 as low value. While a number of factors influence this figure, it is understood that every transaction completed by card saves £28.00 in purchase order and invoice processing costs.

Analysis of purchase order data for the six months preceding the rollout of the PCard Programme, and the six months following its introduction, identified that although there had been a reduction in the amount of PO's raised under £1,000, PO's under £250 had increased. Therefore, a material

reduction in low value purchase orders raised since the programme's inception has not been achieved.

Actions to address all of the issues raised have been agreed with management as part of a comprehensive management action plan. A formal follow-up review will take place as part of the 2020/21 audit plan to assess the extent to which the agreed actions have been implemented.

Compliance with Disciplinary, Grievance, Harassment and Bullying Procedures

East Sussex Fire and Rescue Service (ESFRS) has in place policies for managing issues relating to harassment, bullying, inappropriate behaviour, raising and managing grievances and undertaking disciplinary action.

The purpose of this review was to assess compliance with these policies. In particular, we looked to ensure:

- HR Policies for managing grievances, disciplinary action, harassment and bullying are reviewed periodically to ensure they are compliant with legislation and codes of practice, and are accessible to all staff;
- there is a process for capturing lessons learned from previous cases and, where appropriate, for updating relevant policies;
- the system for managing cases of disciplinary action, grievance, harassment and bullying is effective; and
- HR policies for managing grievances, disciplinary action, harassment and bullying are complied with and this is monitored.

Overall, we found a number of control weaknesses and were only able to provide an opinion of **partial assurance** as a result.

We found that the Grievance Procedure and the Harassment, Bullying and Inappropriate Behaviour Guidance were both out of date at the time of our review. The Grievance Procedure was last updated in June 2013 and was due to be reviewed in October 2015 and the Harassment, Bullying and Inappropriate Behaviour Guidance was last updated in April 2011 and was due for review in March 2013. Neither of these documents have been updated since. The Grievance Procedure was in the process of being reviewed during the audit.

Whilst the policies were found to be broadly compliant with the Advisory, Conciliation and Arbitration Service (ACAS) code of practice, there were several areas within the Harassment, Bullying and Inappropriate Behaviour policy and the Disciplinary Procedure where compliance could be improved.

There is no systematic process in place to capture lessons learned from previous cases (disciplinary, grievance etc.) which means there is a greater risk of repeating poor practice where this has occurred.

The Firewatch system is used to record all cases referred to HR. Whilst this ensures that there is a central record and that all key documentation is held securely, there is no case management process within Firewatch to ensure that timescales are adhered to and evidence of slippage was identified.

Of thirteen cases reviewed, we identified some instances of non-compliance with policies. This included:

- The same officer providing advice at both the informal and formal stages of a grievance, in breach of the Grievance Procedure;
- Hearings not being offered within 14 days of form PD21 being submitted, in breach of the Grievance Procedure;
- The line manager not consulting with HR, in breach of the Disciplinary Policy; and
- A delay in appointing an independent Group Manager to undertake the investigation.

A formal action plan was agreed with management to address the findings of the review. A formal follow-up review to assess the extent of implementation of the agreed actions has been included within the 2020/21 audit plan, with the conclusions to be reported back to this Committee.

During the review, we also undertook a staff survey on the Harassment, Bullying and Inappropriate Behaviour Guidance and the Grievance Procedures. This was requested by management to support the audit and to help understand general awareness of these policies amongst employees. There were 109 responses to the survey although a significant number of those who completed the survey chose not to answer every question.

The survey results showed that 50% of those who responded had been subjected to either bullying, harassment or inappropriate behaviour at work or, had cause to raise a grievance. In addition, a few employees were unaware of the existence of one or both of the procedures and, of those who were aware, some chose not to report their concerns to management.

Management are reviewing the findings of the survey and considering the action that needs to be taken.

Information Technology Governance (ITG) Budget Management

Information Technology Governance (ITG) is responsible for implementing and administering IT systems across the service. The latest IT Investment Strategy is worth £9m and the ITG revenue budget for 2019/20 is approximately £2.5m. There has been a history of overspends within ITG in recent years. This is partly due to an over reliance on budgets being managed on spreadsheets instead of the main accounting system, SAP.

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- A properly evidenced and accurate budget is set and approved within the required timeframes;
- Budgets are updated in a timely manner to account for changes in circumstances (such as the introduction of new costs when systems are introduced part way through the year);
- Adequate and timely budget management information is available that facilitates effective decision making; and
- Corrective action is taken in a timely manner to manage potential under and overspends.

Overall, we were able to give an opinion of **reasonable assurance.** We found that, following a change in personnel, budget monitoring is now undertaken based upon data recorded in SAP. This contrasts with previous years, where budget monitoring was based upon standalone spreadsheets that often resulted in discrepancies when compared to budget information reported by Finance. Since August 2019, we have seen evidence of ITG budgets being monitored and reported to senior

management, using more robust analysis, including the identification and reporting of budget pressures.

In addition to the above areas of good practice, we identified some areas where controls could be improved. In particular, where:

- The ITG base budget for 2019/20 was allocated against the wrong cost codes in SAP. This prevented the ITG budget from being accurately monitored until the budget was reloaded into SAP in August 2019;
- At the time of testing, there was a forecast year-end overspend of approximately £140K. This was attributed in part to inaccurate budget setting and software licensing costs not having been identified in project business cases. These additional budget pressures could affect service performance through other planned expenditure not taking place or being delayed.

In discussing these issues with management, appropriate actions were agreed to address them.

Retained Duty System (RDS) Pay

The Authority uses a system called Firewatch for managing its HR, training & workforce development and resource availability. Firewatch was originally procured in 2012 and a second phase of development has commenced to deliver further functionality from the system. This includes the ability to process pay for retained fire fighters which will enable the service to decommission one of its legacy systems (MIS). The new Retained Duty System (RDS) pay module was due to be implemented during 2019/20, however, this was delayed and will now be implemented during 2020/21.

The purpose of our review was to assess and give assurance on the proposed control framework within the RDS pay module of Firewatch prior to go-live. We also reviewed project preparations and readiness for go-live. This included a review of project governance, user acceptance testing, parallel running, interfaces with SAP and system recovery. This was an assurance and advisory review in accordance with the audit plan and no audit opinion was therefore provided.

In completing our work, we identified some areas for management action and consideration prior to moving to a new system. These included ensuring:

- Process maps, supporting narrative and responsibilities for approving ancillary hours claims are clear and up-to-date;
- Clarity over the claim approval process, including considering the use of a more secure 5-digit alpha numeric code for approvals;
- Agreeing and formally documenting the process for uploading claim information to SAP to help ensure that files will be completely and accurately transferred for payment.

In addition, whilst project governance arrangements were found to be appropriate, key project documentation was not available on request, including project plans and plans for user acceptance testing, parallel running and disaster recovery. These and other lower risk issues were discussed with management and actions to address them were agreed within a management action plan.

Business Fire Safety Follow-Up

Business fire safety legislation is incorporated within the Health and Safety at Work Act 1974 and the Regulatory Reform (Fire Safety) Order 2005 which applies to all non-domestic premises in England and Wales. In addition, Section 6 of the Fire and Safety Act 2004 places responsibility on fire services to promote fire safety within their areas.

ESFRS employ a risk-based approach to business safety inspection, including feedback received from engagement activities, letter drops and tailored audits based upon local trends and changes. This results in inspection of approximately 2% of all known properties annually.

In completing an audit in this area last year, we gave an opinion of partial assurance and have therefore undertaken a follow-up review to confirm whether the agreed actions have been implemented. We found several areas where improvement has been made since the previous audit, resulting in an improved opinion of **reasonable assurance**. These included:

· New measures being put in place to ensure that staff maintain the relevant competence levels to carry out their roles, including the creation of a 4-step development process; and
· A number of areas of the Regulator's Code where non-compliance was previously noted are now compliant, including the engagement of citizens in the formation of policies and service standards and inviting feedback from customers.

It was also noted that the service is currently in the process of upgrading and enhancing the functionality of its CRM system, which will help to resolve some of the weaknesses previously identified.

Some areas were identified where improvement is still required however, including:

· 72 premises still without a relative risk score, increasing the risk of premises not being audited as required. This is, however, an improvement of 65% on those identified during the previous audit;
· 49 records that appeared to be duplicates, many of which were caused by poor data quality or human error when entering premises' names into the CRM database; this may impact the accuracy of reporting and risk-based planning activities; and
· 100 premises that East Sussex Fire and Rescue Service has a responsibility to inspect with a relative risk score of 5.0 or above, rendering them 'high' risk, having outstanding inspections.

Actions to address these issues have been agreed with management.

Secondary Employment

We completed a review at the request of management into a whistleblowing disclosure regarding potential unauthorised secondary employment. We understand that the report's findings have been used to inform a review of the Secondary Employment policy and supporting processes.

Retained Duty Support Officer (RDSO) Vehicles

We were requested by management to review the arrangements relating to the intended purchase, as reported to SLT, of rapid response vehicles for four Retained Duty Support Officers which, subsequently did not take place. We were asked to evaluate the financial and fleet management

aspects of this, including in relation to the approval of the revised fleet and equipment capital schemes and subsequent monitoring arrangements.

Our work in this area identified that the vehicles were to be funded through planned savings within the Fleet Capital Schemes. However, these did not materialise. We concluded that this was because of weaknesses in the management and control of the budget, including poor budget planning, a lack of awareness of roles and responsibilities in relation to budget monitoring and poor communication between the parties involved. We reported our findings to management and actions to address the these were agreed.

Reports Not Yet Finalised:

Payroll (draft report)

As of January 2020, there were 740 people employed by the Authority covering 844 active roles, with the average net salary costs across April 2019 to December 2020 being approximately £1.3 million. The Payroll Team is charged with paying employees accurately in accordance with established policies.

The purpose of the audit was to provide assurance that controls are in place to meet the following control objectives:

- Starters are properly approved, calculated and paid from the correct dates;
- Leavers are removed from the payroll in a timely manner and paid correctly and accurately on the correct dates;
- Permanent variations to pay are properly approved, calculated and paid from the correct dates;
- Temporary payments are correctly authorised prior to processing;
- Payruns and BACS transmissions are correct and authorised; and
- Payroll data is regularly reconciled to the General Ledger.

In completing this review, we were able to provide **reasonable assurance** over the controls in place and several areas of good practice were identified. There were some opportunities to further improve controls, however, including in relation to ensuring:

- pre-employment checks are always carried out for all new staff and evidence of this is retained;
- mechanisms are in place to record and monitor salary overpayments;
- details of leavers are promptly updated in SAP to reduce the risk of overpayments; and
- there is adequate evidence to support additional payments to employees and changes to position/increase in hours, including the approval of these.

We are awaiting a formal response to the draft report from management.

Project Management (draft report)

The new Project Management Office was established in 2018/19 and, with this, new methods were introduced to ensure ESFRS projects are properly managed and controlled, and to reduce the risk of project over-spends, slippage and poor quality. A Strategic Change Board has recently been established to provide oversight over all projects, on behalf of the Senior Leadership Team.

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Projects' objectives and specifications are clear and meet the needs of the Authority;
- Project management delivers projects on time, to the agreed specification and within budget; and
- Changes add value to projects.

We found a project management process that has improved in recent years following the establishment of the Project Management Office years, with a more consistent approach having been developed, which is in the process of implementation. Consequently, although there remain some areas where improvement is needed, we were able to provide an opinion of **reasonable assurance**. In particular, we found that:

- There is a Strategic Change Board, with clear terms of reference;
- Guidance has been produced, that includes standard templates for key documents, such as business cases and project initiation documents; and
- Clear roles and responsibilities for project management have been set out.

Areas for improvement included ensuring:

- Business cases and project initiation documents are sufficiently clear in setting out project deliverables or success criteria;
- Costs are captured at the planning stage and projects have their own cost centres and budgets;
- Changes to project scope are well-managed;
- Risk management is further enhanced through the clearer articulation and rating of risks.

We are awaiting a formal response to the draft report from management.

Retained Duty Staff (RDS) Pay – Follow Up (draft report)

In March 2018, the interface between the Fire Authority 4i and MIS computer systems stopped working which meant that pay claims for Retained Duty Staff (RDS) could no longer be processed and paid. As a result, a manual workaround using a spreadsheet template was implemented by the Payroll Team to ensure that staff continued to be paid. The manual workaround remained in place until the interface was repaired at the end of May 2018.

Following this, we were requested to complete an independent review of the manual procedures in place during the period when the interface was not working to provide assurance that the correct payments were made. As a result of the issues found, including some minor incorrect payments, we were only able to provide an audit opinion of partial assurance.

We have provided an **unchanged opinion of Partial Assurance** in respect of the follow-up audit of **RDS Pay**. The reasons for this are as a result of the agreed actions from the previous audit either not being or only being partially implemented. Whilst it is acknowledged that the values involved are potentially low, this was recognised by management when the actions were agreed as part of the original review.

We are awaiting a formal response to the draft report from management.

SUMMARY OF PERFORMANCE INDICATORS FOR 2019/20

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Scrutiny and Audit Panel	June	G	2019/20 Annual Audit Plan approved by Scrutiny and Audit Panel on 5 June 2019
	Annual Audit Report and Opinion	June	G	2018/19 Annual Report and Opinion approved by Scrutiny and Audit Panel on 5 June 2019
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit plan – completion to draft report stage	90%	G	100% of revised plan to draft report stage
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Highest available level of conformance confirmed through independent external assessment
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcomes and degree of influence	Agreement to audit findings	95%	G	100%
Our staff	Professional Qualified/Accredited	80%	G	93%

<u>Internal Audit Assurance Levels</u>:

Substantial Assurance: Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

Reasonable Assurance: Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

Partial Assurance: There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.

Minimal Assurance: Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

EAST SUSSEX FIRE AND RESCUE SERVICE

Agenda Item No.

Meeting	Scrutiny & Audit Panel
Date	23 July 2020
Title of Report	Internal Audit Annual Report and Opinion for the period 1 April 2019 to 31 March 2020
By	Assistant Director Resources / Treasurer
Lead Officer	Russell Banks, Orbis Chief Internal Auditor

Background Papers	Scrutiny & Audit Panel 5 June 2019 - Item 228 Internal Audit Strategy and Annual Audit Plan 2019-20

Appendices	1. Annual Internal Audit Report and Opinion 2019/20

Implications (please tick ü and attach to report)
Any implications affecting this report should be noted within the final paragraphs of the report

CORPORATE RISK	ü	**LEGAL**	
ENVIRONMENTAL		**POLICY**	
FINANCIAL		**POLITICAL**	
HEALTH & SAFETY		**OTHER (please specify)**	
HUMAN RESOURCES		**CORE BRIEF**	
EQUALITY IMPACT ASSESSMENT *For reports requiring an EIA, the appropriate template can be accessed in Word, via the Templates Key within the Shared tab or via this link file:///j:\msoffice\Templates\Shared\14_04%20Equality%20Impact%20Assessment.dot*			

PURPOSE OF REPORT	**To provide an Opinion on East Sussex Fire Authority's internal control environment and report on the work of Internal Audit for the period 1 April 2019 to 31 March 2020.**

EXECUTIVE SUMMARY	On the basis of the audit work completed, the Orbis Chief Internal Auditor, as East Sussex Fire Authority's (ESFA) Head of Internal Audit, is able to provide reasonable assurance that the Fire Authority has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2019 to 31 March 2020.

Individual reports on the systems evaluated by internal audit included agreed actions to enhance controls and management have drawn up action plans to implement these.

The Panel's attention is drawn to the following:
- The following reports received partial assurance opinions (and will be reported in full to SLT and S&A Panel once finalised).
  - Þ RDS Pay Follow Up (Draft)
  - Þ Procurement Cards
  - Þ Compliance with Disciplinary, Grievance, Harassment and Bullying Procedures
- No reports received a minimal assurance opinion
- A review of Management of Operational Assets has been suspended due to Covid 19
- Reviews of HR / Payroll, RDS Pay (Follow Up) and Project Management are at draft report stage
- A planned review of Supply Chain Management and advisory work on HR Processes were delayed at the Service's request and are included in the agreed Internal Audit Plan for 2020/21
- Information on the Internal Audit Service's performance compliance with the Public Sector Internal Audit Standards (PSIAS).

The target for delivery of 90% of the audit plan has not been achieved in part due to delays caused by slow responses by the Service to information requests / draft reports / availability of staff and also the suspension of some audits at the Service's request during the current Covid 19 crisis.

RECOMMENDATION	The Panel is recommended to:

    (i)   note the Head of Internal Audit's opinion on the Fire Authority's internal control environment for 2019/20;

    (ii) note that the full reports on RDS Pay Follow Up, Procurement Cards and Compliance with Disciplinary, Grievance, Harassment and Bullying Procedures will be reported to SLT and S&A Panel

    (iii) consider whether the Fire Authority's system for internal audit has proved effective during 2019/20