



EAST SUSSEX FIRE AUTHORITY

**INTERNAL AUDIT STRATEGY AND
ANNUAL AUDIT PLAN 2019-20**



East Sussex
Fire & Rescue Service

1. Role of Internal Audit

1.1 Orbis Internal Audit provides a service to the Fire Authority in accordance with the Public Sector Internal Audit Standards (PSIAS) as defined by CIPFA and the Institute of Internal Auditors (IIA). It is the Fire Authority's responsibility to maintain an effective internal audit service and assurance of this can be obtained through confirmation that the service is delivered in conformance with PSIAS and that agreed performance indicators are being achieved, including delivery of the annual audit plan.

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined as "*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*"

1.3 Internal audit review, appraise and report upon the effectiveness of the internal control environment established by the management of the Fire Authority. It is the responsibility of management to establish and maintain appropriate systems of internal control.

1.4 The full role and scope of the internal audit service is set out within our Internal Audit Charter; a copy of which has been attached to this report as Annex A.

2. Risk Assessment and Audit Planning

2.1 The Fire Authority's Internal Audit Strategy and Plan is updated annually and is based on a number of factors, especially management's assessment of risk (including that set out with the Authority's risk registers) and our own risk assessment of the organisation's major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.2 The update of the plan for 2019/20 has involved consultation with senior officers and the Chairman of the Scrutiny and Audit Panel to ensure that their views on risks and current issues are identified and considered. The Fire Authority is subject to audit and inspection by other bodies, in addition to internal audit, including the external audit of the accounts. These additional sources of assurance have been taken into account as part of the planning process, primarily through discussion with the Assistant Director of Resources and Treasurer. As in previous years, we have also consulted with the Fire Authority's external auditor, Ernst & Young, which has included clarifying their approach to reliance on the work of internal audit.

2.3 In producing the audit plan (see below) the following key principles apply:

- A programme of key financial systems reviews is conducted annually based on a risk assessment.
- Previous reviews which resulted in 'minimal assurance' audit opinions will be subject to a specific follow up review to assess the effective implementation by management of agreed actions. This will also include any previous reviews of high risk areas which received a 'partial assurance' opinion.

2.4 The overall aim of the Internal Audit Strategy and Annual Audit Plan is to allocate the agreed level of internal audit resources so as to focus on the highest risk areas and to enable an annual

opinion to be given on the adequacy and effectiveness of the Fire Authority's framework of governance, risk management and control.

3. Audit Approach

3.1 The approach of internal audit is to use risk based reviews, supplemented in some areas by the use of regularity/compliance audits. Where considered appropriate, we may also seek to utilise external specialist resources for certain assignments. In all cases, this will be agreed in advance with the Assistant Director of Resources and Treasurer. All of our work will have regard to management's arrangements for ensuring:

- Achievement of the organisation's objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

3.2 In addition, internal audit will continue to support management by providing informal advice and assistance throughout the year on key risk and control issues as required or as they arise.

4. Annual Internal Audit Plan 2019/20

4.1 In times of significant transformation, organisations must manage change effectively and ensure that core controls remain in place. Internal Audit must therefore be in a position to give an opinion that covers the control environment in relation to both existing systems and new developments.

4.2 As a result, and following consultation with senior management, we are proposing to deliver a programme of work in 2019/20 amounting to 98 days. Details of all the planned work is set out in the following table:

Core Audit Activity

Area	Outline Objective	Planned Days
Fundamental Accounting Systems	<p>East Sussex Fire Authority use the main financial systems of East Sussex County Council, specifically:</p> <ul style="list-style-type: none"> · HR/Payroll · Accounts Payable · Accounts Receivable · Pensions · General Ledger <p>On a cyclical basis, dependent on perceived risk and the results of previous year's internal audit activity, we review these systems to ensure that key controls remain in place and operate effectively.</p>	12
Procurement Cards (P-Cards)	<p>This review will assess the adequacy of controls within the P-Card process where there are risks associated with inappropriate use. It will include the use of analytical review in order to identify exceptions for further investigation where appropriate.</p>	8
Project Management	<p>The new Project Management Office is expected to be in place by the end of 2018/19 and with this, new processes introduced to ensure ESFRS projects are properly managed and controlled and to reduce the risk of project overspends, overruns and poor quality.</p> <p>We will review overall governance arrangements of the Project Management Office and assess the extent to which this has improved standards in relation to project management within the Authority.</p>	10
Compliance with Disciplinary, Grievance, Harassment and Bullying Procedures	<p>ESFRS has in place a suite of policies for managing human resource issues such as disciplinary, grievance, harassment and bullying. Non-compliance with these could result in inadequate management of poor performance and legal action against the Authority. This review will assess compliance with these specific policies and will also consider the effectiveness of case management, reporting arrangements and mechanisms for capturing lessons learnt.</p>	8
Management of Operational Assets	<p>A review to assess the adequacy of arrangements for managing operational assets where there are risks associated with inappropriate/non-functioning equipment, and loss. It will cover the identification of need, receipt and acceptance of assets (including risk management and sign-off prior to roll-out), recording, servicing, replacement management and disposal.</p>	10
Business Fire Safety Follow-Up	<p>An audit of Business Fire Safety was completed in 2018/19 and received an opinion of partial assurance. This review will assess the adequacy of implementation of the agreed actions arising from the audit and will also consider the effectiveness of the revised risk based approach in this area.</p>	3
RDS Pay – Follow Up	<p>An audit of RDS Pay was completed in 2018/19 and received an opinion of partial assurance. This review will assess the adequacy of implementation of the agreed actions arising from the audit.</p>	3

Area	Outline Objective	Planned Days
Supply Chain Management - Follow-Up	A review of Supply Chain Management was completed in 2018/19 and received an opinion of partial assurance. This review will assess the adequacy of implementation of the agreed actions arising from the audit.	3
IMD Budget Management	A review to assess the adequacy of arrangements over management of the Information Management Department (IMD) budget, including in relation to budget setting, monitoring and reporting.	8
Management and Advice	This includes preparation of the Internal Audit Strategy and Plan, production of the Annual Internal Audit Report and Opinion, advice and ongoing liaison with management.	8

Assurance and Advisory Work

Area	Outline Objective	Planned Days
Retained Duty System (RDS) Pay	A new process for RDS Pay is being developed and the RDS Pay module of Firewatch is being implemented in 2019/20. We will assess the proposed control arrangements in relation to these prior to go-live, with specific focus on new processes, system testing, data migration, interfaces with SAP and system recovery.	5
Human Resources (HR) Business Process Review	Human Resources are currently reviewing all of their processes to ensure they remain fit-for-purpose and efficient. We will work with the HR Team to assess the proposed revised processes and control arrangements in place prior to their roll out across the Authority.	5
Counter Fraud Training	The delivery of counter fraud training to Fire Authority staff.	6
National Fraud Initiative (NFI)	To provide support in relation to the National Fraud Initiative (NFI).	2

Audit Investigations

Area	Outline Objective	Planned Days
Confidential Reporting Disclosure	The Authority has commissioned internal audit to investigate a matter reported under its Confidential Reporting (Whistleblowing) Procedure.	7

Total Planned Days	98
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5. Potential Future Reviews

5.1 The following areas have been identified during the audit plan consultation process and risk assessment but have not been incorporated within the 2019/20 audit plan. These will be subject to consideration as the year progresses and when planning audit work for future years:

- National Fire Chiefs Council (NFCC) - Leadership Framework
- Procurement
- Capital

6. Quality and Performance

6.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, have adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

6.2 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to the Scrutiny and Audit Panel, usually as part of the annual internal audit report.

6.3 In addition, the performance of the internal audit service to the Fire Authority continues to be measured against key service targets focussing on service quality, productivity and efficiency, compliance with professional standards, influence and our staff. These are all underpinned by appropriate key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target
Quality	<ul style="list-style-type: none">Annual Audit Plan agreed by Scrutiny and Audit PanelAnnual Audit Report and OpinionSatisfaction levels	<ul style="list-style-type: none">JuneJune90% satisfied
Productivity and Process Efficiency	<ul style="list-style-type: none">Audit plan – completion to draft report stage by 31 March 2020	<ul style="list-style-type: none">90%
Compliance with Professional Standards	<ul style="list-style-type: none">Public Sector Internal Audit StandardsRelevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	<ul style="list-style-type: none">ConformsConforms
Outcomes and Degree of influence	<ul style="list-style-type: none">Agreement to audit findings	<ul style="list-style-type: none">95%
Our staff	<ul style="list-style-type: none">Professional Qualified/Accredited	<ul style="list-style-type: none">80%

6.4 At a detailed level, each audit assignment is monitored and subject to appropriate manager review. Customer feedback is also sought.

Russell Banks CMIIA

Orbis Chief Internal Auditor and Chief Internal Auditor for East Sussex Fire Authority

NON-CONFIDENTIAL REPORT

EAST SUSSEX FIRE AND RESCUE SERVICE

Agenda Item No.

Meeting Scrutiny & Audit Panel
Date 5 June 2019
Title of Report Internal Audit Strategy and Plan
By Assistant Director Resources / Treasurer
Lead Officer *Russell Banks, Chief internal Auditor, Orbis*

Background Papers None

Appendices 1. Internal Audit Plan 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		LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL	ü	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT <i>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</i>			

PURPOSE OF REPORT To provide an Internal Audit Plan for East Sussex Fire Authority covering the period 1 April 2019 to 31 March 2020.

EXECUTIVE SUMMARY East Sussex County Council (ESCC) has provided the internal audit service to East Sussex Fire Authority (ESFA) since 1 April 1997. This service is usually delivered based on a standard annual budget of 70 audit days.

The Internal Audit Strategy and Plan for 2019/20 is set out as Appendix 1. This Strategy and Plan has been produced on a risk basis, following consultation with senior officers, the Authority's external auditor, Ernst and Young (EY LLP) and the

Chairman of Scrutiny & Audit Panel. The Strategy seeks to achieve a balance between ensuring that existing controls are maintained and that assurance can be given on key projects within the Authority's transformation programme.

This draft strategy proposes a 98 day programme, which is higher than in previous years, however, officer's view is that this is justified by the level of risk and the requirement for assurance.

The Plan includes one unplanned review which was commissioned in 2018/19 in response to a Whistleblowing Disclosure but for which the bulk of the work will be conducted in 2019/20.

80 days can be funded from within the existing budget held within the Resources / Treasurer Directorate. The additional 18 days will be funded from the 2019/20 Corporate Contingency (18 days @ £365 = £6,570).

RECOMMENDATION

The Panel is recommended to approve the proposed internal audit plan for 2019/20.
