

EAST SUSSEX FIRE & RESCUE SERVICE

**INTERNAL AUDIT STRATEGY AND**

**ANNUAL AUDIT PLAN 2021/22**



**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 2021/22 has involved consultation with senior officers and the Chair 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 2021/22

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 of the Covid-19 global pandemic, a number of jobs from the 2020/21 audit plan were either postponed or cancelled. Following consultation with senior management, we are proposing to deliver a programme of work in 2021/22 amounting to 79 days, of which 9 days are being assigned to deliver the postponed work from the 2020/21 audit plan. Details of all the planned work is set out in the following table:

## Core Audit Activity

### Postponed work from 2020/21 Audit Plan

Area	Outline Objective	Planned Days
Management of Capital Programme	This audit will review the management arrangements of the overall capital programme, including in relation to governance and decision-making, the sustainability of the capital budget, the prioritisation of projects, monitoring and reporting.	6
Counter Fraud Training	The delivery of counter fraud training to Fire Authority staff.	3

### 2021/22 Audit Plan

Area	Outline Objective	Planned Days
Key Financial Systems	<p>East Sussex Fire Authority use the main financial systems of East Sussex County Council, specifically:</p> <ul style="list-style-type: none"> <li>• HR/Payroll</li> <li>• Accounts Payable</li> <li>• Accounts Receivable</li> <li>• Pensions</li> <li>• General Ledger</li> </ul> <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. As part of these audits, we will review process changes that have been implemented due to Covid-19 and provide advice on whether benefits could be realised in implementing these as part of standard practice.</p>	10
SAP Change Readiness	<p>The current SAP ERP system was implemented in 2004 and will no longer be supported beyond 2025. SAP contains a significant amount of Fire Authority Finance, Procurement and HR data for the authority, which will need to be reviewed and decisions made with regards to what, if any, data needs to be migrated into the replacement system.</p> <p>This audit will review the authority's readiness for a change in ERP system, including in relation to the cleansing and review of Procurement, HR and Finance data, as well as understanding where processes could be made more efficient with the replacement system.</p> <p>The timing of this audit will be dependent on the progress of the overall replacement programme, which is being managed by East Sussex County Council.</p>	5
Prevention & Protection Strategy	This audit will review the implementation of the Authority's Prevention & Protection Strategy, including how the authority looks to allocate resources, targets the most vulnerable people while ensuring that they are being provided with the right	7

Area	Outline Objective	Planned Days
	intervention and how the authority evaluates the effectiveness of the intervention they are providing.	
Insurance Arrangements	East Sussex Fire Authority are currently supported by the Fire & Rescue Indemnity Company (FRIC) for their insurance arrangements. This audit will assess the adequacy of processes for the internal processing of claims, record keeping, the reporting of claims to FRIC and arrangements for identifying lessons learned from any previous claims.	8
Post-BREXIT Supply Chain Management Arrangements	Following the Brexit transition period ending, this audit will seek to provide assurance that the Authority has robust and suitable supply chains in place, including arrangements for sufficient awareness of the markets in which they operate, identifying key areas of risk across their supply chains and the Authority's resilience planning in the event a supply chain were to fail.	7
Major Projects - FireWatch and CRM Project Management Lessons Learned	Two major projects (FireWatch and CRM) for the Authority are expected to be completed in 2021/22. Both have taken longer to implement than originally planned and CRM has required significant additional funding. Both have been more complex and seen changes of scope from the original business cases.  This review will assess whether any lessons can be learned following the delays to each of the projects and that any challenges can be addressed as part of future working practices around project management.	7
Customer Service Management	To review the adequacy of arrangements in place over the customer service management process, including the handling of feedback, comments, suggestions and complaints, ensuring compliance with relevant legislation and local policy. In relation to the handling of complaints, we will provide assurance over controls to ensure complaints are dealt with in a timely manner and that relevant data is recorded and used for monitoring and performance improvement purposes.	8
Surveillance Cameras	This audit will review the effectiveness of the controls in place with regards to the deployment of surveillance camera systems in public spaces (including those on vehicles) and that any personal information captured is managed in accordance with data protection legislation.	8
Management and Advice	This includes the preparation of the Internal Audit Strategy and Plan, production of the Annual Internal Audit Report and Opinion, advice and ongoing liaison with management.	10

<b>Postponed 2020/21 Audit Plan Days</b>	<b>9</b>
<b>2021/22 Audit Plan Days</b>	<b>70</b>
<b>Total Planned Days</b>	<b>79</b>

## 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 2021/22 audit plan. These will be subject to consideration as the year progresses and when planning audit work for future years:

- Human Resources Business Process Review (postponed from 2020/21. The latest project business plan suggests that implementation will start in 2022/23)
- IRMP Implementation
- Budget management
- Business continuity
- Information governance
- Robotics and AI
- Cloud Computing

## 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"> <li>· Annual Audit Plan agreed by Scrutiny and Audit Panel</li> <li>· Annual Audit Report and Opinion</li> <li>· Satisfaction levels</li> </ul>	<ul style="list-style-type: none"> <li>· June</li> <li>· June</li> <li>· 90% satisfied</li> </ul>
Productivity and Process Efficiency	<ul style="list-style-type: none"> <li>· Audit plan – completion to draft report stage by 31 March 2022</li> </ul>	<ul style="list-style-type: none"> <li>· 90%</li> </ul>
Compliance with Professional Standards	<ul style="list-style-type: none"> <li>· Public Sector Internal Audit Standards</li> <li>· Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act</li> </ul>	<ul style="list-style-type: none"> <li>· Conforms</li> <li>· Conforms</li> </ul>

Aspect of Service	Orbis IA Performance Indicator	Target
Outcomes and Degree of influence	· Agreement to audit findings	· 95%
Our staff	· Professional Qualified/Accredited	· 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

# INTERNAL AUDIT CHARTER

## 1. Introduction

This Charter describes for the Fire Authority the purpose, authority and responsibilities of the Internal Audit function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and “the board” for approval. For the purposes of this charter “senior management” will be the Senior Leadership Team (SLT) and the board will be the Scrutiny and Audit Panel (described generically in this Charter as the Audit Committee).

The Charter shall be reviewed annually and approved by SLT and the Audit Committee. The Head of Internal Audit is responsible for applying this Charter and keeping it up to date.

## 2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Internal Audit is defined in the PSIAS 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.”

Internal Audit supports the whole Authority to deliver economic, efficient and effective services and achieve its vision, priorities and values.

## 3. Statutory Requirement

The requirement for an Authority to maintain an Internal Audit function is derived from local government legislation, including Section 112 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015 in that a relevant body must:

*“maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”*

The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.

The regulations require any officer or Member of the Fire Authority to

- make available such documents and records; and
- supply such information and explanations;

as are considered necessary by those conducting the audit.

This statutory role is recognised and endorsed within the Fire Authority's Financial Regulations.

#### 4. Internal Audit Responsibilities and Scope

Annually the Head of Internal Audit is required to provide to the Audit Committee an overall opinion on the Fire Authority's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

Internal Audit is not responsible for control systems. Responsibility for effective internal control and risk management rests with the management of the Fire Authority.

Internal Audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

The scope of Internal Audit includes the entire control environment and therefore all of the Fire Authority's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Fire Authority risk registers). Extensive consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focussed.

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic 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

#### 5. Independence

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should have no operational responsibilities.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Internal Audit has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

## ANNEX A

### 6. Reporting Lines

Regardless of line management arrangements, the Head of Internal Audit has free and unfettered access to report to the S112 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chairman; the Chairman of the Fire Authority and the Fire Authority's External Auditor.

The Audit Committee will receive reports on a periodic basis – as agreed with the Chairman of the Audit Committee – on the results of audit activity and details of Internal Audit performance including progress on delivering the audit plan.

### 7. Fraud & Corruption

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will however be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Fire Authority's Anti Fraud and Corruption Strategy.

The Head of Internal Audit should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

Internal Audit will promote an anti-fraud and corruption culture within the Fire Authority to aid the prevention and detection of fraud.

### 8. Consultancy Work

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

### 9. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Head of Internal Audit is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Head of Internal Audit is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Head of Internal Audit may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

## ANNEX A

### 10. Due Professional Care

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations.

In carrying out their work, Internal Auditors must exercise due professional care by considering:

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied; and
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

### 11. Quality Assurance

The Head of Internal Audit will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the PSIAS is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter;
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides.

The QAIP requires a bi-annual review of the effectiveness of the system of Internal Audit to be conducted. Instances of non-conformance with the PSIAS, including the impact of any such non-conformance, must be disclosed to the Audit Committee. Any significant deviations must be considered for inclusion in the Fire Authority's Annual Governance Statement.

April 2021

**NON-CONFIDENTIAL REPORT**

**EAST SUSSEX FIRE AND RESCUE SERVICE**

**Agenda Item No.**

**Meeting** Scrutiny & Audit Panel  
**Date** 29 April 2021  
**Title of Report** Internal Audit Strategy and Plan  
**By** Assistant Director Resources / Treasurer  
**Lead Officer** *Russell Banks, Chief internal Auditor, Orbis*

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**Background Papers** None

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**Appendices** 1. Internal Audit Plan 2021/22

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**Implications (please tick ü and attach to report)**

*Any implications affecting this report should be noted within the final paragraphs of the report*

<b>CORPORATE RISK</b>		<b>LEGAL</b>	
<b>ENVIRONMENTAL</b>		<b>POLICY</b>	
<b>FINANCIAL</b>	ü	<b>POLITICAL</b>	
<b>HEALTH &amp; SAFETY</b>		<b>OTHER (please specify)</b>	
<b>HUMAN RESOURCES</b>		<b>CORE BRIEF</b>	
<b>EQUALITY IMPACT ASSESSMENT</b> <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 <a href="file:///j:\msoffice\Templates\Shared\14_04%20Equality%20Impact%20Assessment.dot">file:///j:\msoffice\Templates\Shared\14_04%20Equality%20Impact%20Assessment.dot</a></i>			

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**PURPOSE OF REPORT** To provide an Internal Audit Plan for East Sussex Fire Authority covering the period 1 April 2021 to 31 March 2022.

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**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 2021/22 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 Strategy proposes a 79 day programme which includes a baseline of 70 days for new audits and 9 days carried forward from audits delayed from 2020/21. The Panel needs to consider whether this coverage is justified by the level of risk and the requirement for assurance.

The Panel should also recognise that senior management, the Fire Authority and the Head of Internal Audit can draw assurance from other independent sources, for example:

- The work of the external auditors reported in the Annual Audit Report and Annual Audit Letter
- The work of HMICFRS and its inspection reports
- The work of Aristi through their IT Healthchecks and reporting on information security.

70 days can be funded from within the existing budget held within the Resources / Treasurer Directorate. The additional 9 days will be subject to a bid against the 2020/21 Revenue Budget underspend (9 days @ £365 = £3,285).

The Annual Internal Audit Report and Opinion for 2020/21 would normally be presented to the Panel at this meeting, however, earlier than normal date of this meeting and the impact of Covid 19 means that work on a number of reviews is still ongoing, and as a result the report will be brought to the next Panel in July 2021. If any changes to the Strategy are then required they can also be addressed at that meeting.

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**RECOMMENDATION**

The Panel is recommended to approve the proposed internal audit plan for 2021/22.

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