

**NON-CONFIDENTIAL REPORT**

**EAST SUSSEX FIRE AND RESCUE SERVICE**

**Agenda Item No.**

**Meeting** Scrutiny & Audit Panel

**Date** 12 May 2022

**Title of Report** Internal Audit Strategy and Plan 2022/23

**By** Assistant Director Resources / Treasurer

**Lead Officer** *Russell Banks, Chief internal Auditor, Orbis & Paul Fielding, Audit Manager*

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**Background Papers** None

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**Appendices**

1. Internal Audit Plan 2022/23
2. Timing & key contacts

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**Implications (please tick ✓ 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>	✓	<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 2022 to 31 March 2023.

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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 2022/23 is set out as Appendix 1. This Strategy and Plan has been produced on a risk basis, following consultation with senior officers and the

Authority's external auditor, Ernst and Young (EY LLP) and the Chair of this 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 70 day programme. The Panel needs to consider whether this coverage is appropriate to meet 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.

In preparing the draft plan we have been conscious that the Service will undergo its second round HMI inspection in June / July 2022 and as well as providing assurance this will also place a significant pressure on Service staff. In addition the Service will be progressing both Cyber Essentials and Cyber Essentials Plus certification with support from Telent / Aristi. This has been a factor in proposing a 70 day programme.

If the plan is agreed at 70 days it can be funded from within the existing finance budget.

The Annual Internal Audit Report and Opinion for 2021/22 will be presented to the Panel at its next meeting in July 2022 when we expect all remaining audits to be completed and have agreed action plans in place. If any changes to the Strategy are necessary, then 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 2022/23.

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EAST SUSSEX FIRE & RESCUE SERVICE

**INTERNAL AUDIT STRATEGY AND  
ANNUAL AUDIT PLAN 2022/23**



**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 several 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 2022/23 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 considered 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 'partial' or 'minimal assurance' audit opinions will be subject to a specific follow up review to assess the effective implementation by management of agreed actions.

2.4 The overall aim of the Internal Audit Strategy and Annual Audit Plan is to allocate the agreed level of internal audit resources 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 2022/23

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 for 2022/23 amounting to 70 days. Details of all the planned work is set out in the following table:

## 2022/23 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>• Treasury Management</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.</p>	15
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
People Strategy	<p>This audit will review the implementation of the Fire Service's People Strategy, including how the authority looks to allocate resources efficiently and effectively, achieve workforce priorities to support and develop the workforce and continue to measure the success of the strategy.</p>	8
IT Asset Management	<p>To undertake a review of IT asset management to ensure that all significant assets are identified, recorded and traceable. This review will look to provide assurance over the whole life cycle of IT assets in use at the Fire Service.</p>	8

Area	Outline Objective	Planned Days
Ill-health Retirement Arrangements	This audit will review both the efficiency and effectiveness of the processes in relation to Ill-health retirements and injury related payments, as well as ensuring that the Fire Service processes in these areas are in line with regulatory requirements.	8
Control Centre Contract Management	In 2021, East Sussex Fire & Rescue Service entered a collaboration agreement with Surrey and West Sussex Fire & Rescue Services to have a shared Control Centre managed by Surrey Fire & Rescue Service. This audit will assess the adequacy and effectiveness of contract management arrangements in place in relation the Control Centre, to ensure that outputs received by the Fire Service are in line with service level agreements. (Subject to discussion with Surrey and West Sussex about the potential for a jointly commissioned review)	8
Surveillance Cameras Follow-up	To follow-up on and provide assurance that appropriate action has been taken with regards to the findings included in the 2021/22 Surveillance Cameras audit, which received an opinion of Partial Assurance.	3
Action Tracking	Ongoing action tracking and reporting in relation to the implementation of agreed audit actions.	5
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>Total Planned Days</b>		<b>70</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 2022/23 audit plan. These will be subject to consideration as the year progresses and when planning audit work for future years:

- Insurance arrangements
- Major projects benefits realisation (FireWatch and CRM)
- Integrated Risk Management Plan Implementation
- Budget management
- Fire safety legislation changes
- Integrated Transport Function (ITF)

- Climate change – carbon reduction
- Community engagement

## 6. Quality and Performance

6.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, 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 replaced 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 2023</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>
Outcomes and Degree of influence	<ul style="list-style-type: none"> <li>• Implementation of management actions agreed in response to audit findings</li> </ul>	<ul style="list-style-type: none"> <li>• 95%</li> </ul>



<b>Aspect of Service</b>	<b>Orbis IA Performance Indicator</b>	<b>Target</b>
Our staff	<ul style="list-style-type: none"><li>• Professional Qualified/Accredited</li></ul>	<ul style="list-style-type: none"><li>• 80%</li></ul>

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

Russell Banks CMIIA

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