



ESSEX FIRE AUTHORITY

Internal Audit Strategy 2016/17

Presented at the Audit, Governance and
Review Committee meeting of:

13 July 2016





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1 INTRODUCTION

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Essex Fire Authority in the year ahead, including changes within the sector.

1.1 Background

As with all public services, the amount of money that the Authority has available to spend has been reduced. The Authority's plan to balance the delivery of high quality services with the need to do this with significantly less money and an additional need to identify further efficiency savings in the future.

The Authority is in the development of Programme 2020 which is a major change programme. Through Programme 2020 the Service will deliver a future which is service led, community focused, value driven and financially sustainable. The results of this review will be presented to the Authority in June 2016 and we will keep our audit plan under review to ensure we meet the requirements of Programme 2020 and adapt where required to the changing environment.

1.2 Vision

Essex Fire want to be able to direct their resources and services more flexibly to where they are most needed, reducing risks as well as costs, and supporting wider civil resilience in communities.

1.3 Objectives

The following corporate objectives are particularly relevant to the content of the coming year's internal audit plan:

- We will identify the risks to our communities and work in partnership with them to manage the risk, to reduce its likelihood or its impact on our communities.
- We will provide a resilient, timely, safe and effective response when risks become incidents.
- We will use our resources flexibly, efficiently and effectively, reducing the cost of the Service to match the funding available.
- We will ensure our people are involved, engaged and empowered to deliver excellence.
- We will use our assets to support sustainable communities and promote wellbeing.
- Our leaders will demonstrate trust and honesty, listening to others to support an open and inclusive culture.

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

We use your objectives and risks as the starting point in the development of your internal audit plan.

2.1 Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the Deputy Director of Finance, following engagement with the Director of Finance and Treasurer of the Authority.

Based on our understanding of the organisation, the information provided to us by the stakeholders above, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see **Appendix A and B** for full details).



Figure A: Sources considered when developing the Internal Audit Strategy

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: time for tracking the implementation of actions and an audit management allocation. Full details of these can be found in Appendices A and B.

2.2 Working with other assurance providers

The Audit, Governance and Review Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Dan Harris, supported by Suzanne Lane and Lee Hannaford as your wider management team.

3.1 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS). Further details of our responsibilities are set out in our internal audit charter within Appendix D.

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our Risk Assurance service line commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”.

3.2 Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

4 AUDIT, GOVERNANCE AND REVIEW COMMITTEE REQUIREMENTS

In approving the internal audit strategy, the committee is asked to consider the following:

- Is the Audit, Governance and Review Committee satisfied that sufficient assurances are being received within our annual plan (as set out at Appendix A) to monitor the organisation's risk profile effectively?
- Does the strategy for internal audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Audit, Governance and Review Committee?
- Are the areas selected for coverage this coming year appropriate?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Audit, Governance and Review Committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2016/17

Audit	Scope for Year 2016/17	Audit days	Proposed timing
Risk Based Assurance			
Business Continuity including compliance with the Civil Contingencies Act	Review of the Business Continuity arrangements in place including plans, testing and availability. As part of our review we will ensure that the requirements from the Civil Contingencies Act have been considered and are included within the relevant plans.	8	Q2
HR - Training and Development	A review of the identification and approval of training needs, monitoring of completion and confirmation of training requirements including mandatory training and sign off by the assessor including breathing apparatus. This will include both staff and officers.	7	Q2
Communication and Engagement – Internal	<p>The Service has completed significant engagement externally, however, with the impending changes as a result of Programme 2020, our review will focus on the Internal Communications and Engagement.</p> <p>We will undertake a review of the Authority and Service's approach to Internal Communication including how the Authority has communicated with internal stakeholders and if the communication has been reflective of recent internal changes.</p> <p>Staff questionnaires to test and distinguish the level and impact of communication that has been undertaken and to gauge internal stakeholder engagement.</p>	8	Q3
Core Assurance			
Risk Management	This year we will review a sample of risks to challenge the controls, assessments, assurances and actions that are recorded within the risk register.	7	Q4
Governance	<p>Scope to be discussed by the Audit, Governance and Review Committee to determine specific assurance requirements.</p> <p>Coverage required to inform RSM year-end opinion.</p>	7	Q3

Audit	Scope for Year 2016/17	Audit days	Proposed timing
Key Financial Controls	<p>This will include key controls testing and any management concerns including previous recommendations. Areas potentially included:</p> <ul style="list-style-type: none"> • General Ledger; • Cash, Banking and Treasury Management; • Payroll; • Payments and Creditors; • Income and Debtors; • Asset Management. 	15	Q4
Procurement	<p>A review to ensure the Authority has policies and procedures in place for the procurement of goods and services, including guidelines for undertaking tenders, quotations and waivers.</p> <p>Testing will include a review of the tender process has been undertaken in accordance with financial procedures where the nature of the procurement requires it. We will also include coverage to ensure appropriate staff are involved in the procurement process to ensure that a Value for Money assessment can be made where required.</p>	8	Q3
Partnerships	<p>A review of the Authority's partnership arrangements to ensure that the Authority has identified and assessed it's partners and that they manage the partnerships they are engaged in, including clarity on the impact and outcome of any partnerships.</p>	8	Q3
Insurance Pool – Joint Review	<p>An Insurance Pool has been established across nine Services which is administered through Essex Fire, as part of our Bedfordshire, Cambridgeshire and Essex audit plans, we will undertake a joint review to ensure that adequate procedures have been developed and are operating.</p> <p>(Days to be combined from Bedfordshire, Cambridgeshire and Essex)</p>	3	Q2
Other internal audit activity			
Follow up	<p>To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.</p>	5	Q4
Audit Strategy / Annual Report	<p>This will include:</p> <ul style="list-style-type: none"> • Internal Audit Needs Assessment / Strategic and Annual Internal Audit Plans; • Preparation of the annual internal audit opinion. 	2	On-going

Audit	Scope for Year 2016/17	Audit days	Proposed timing
Audit Management	This will include: <ul style="list-style-type: none"> • Planning; • Ongoing liaison and progress reporting; and • Preparation for and attendance at Audit, Governance and Review Committee. 	7	On-going
Total		85	

APPENDIX B: INTERNAL AUDIT STRATEGY 2016 – 2019

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Risk based assurance				
Business Continuity including compliance with the Civil Contingencies Act	If we have a significant failure, loss or reduction of our physical infrastructure or resources (including our people) there is a risk that we will not deliver the same level of prevention, protection and response services to our communities.	✓		
Human Resources - This could cover a range of areas including: <ul style="list-style-type: none"> • Recruitment, • Training and Development, • Appraisals • Absence Management • Transactional Services • Succession Planning 	<p>Loss of Reputation</p> <p>If the Service does not have motivated and engaged people with the right skills and competencies there is a risk that the Service will be unable to innovate and deliver safe and effective services to our communities.</p>	✓	✓	✓
Workforce Planning / Utilisation	<p>If the Service does not have motivated and engaged people with the right skills and competencies there is a risk that the Service will be unable to innovate and deliver safe and effective services to our communities.</p> <p>This review is planned for 2017/18 once the new HR structure and working practices are in place and will follow up on our previous work in this area.</p>		✓	
Business Planning	If we have a large or unexpected loss in our income or cash there is a risk that we will have to reduce the level of prevention, protection and response services we provide to our communities.		✓	
Budgetary Control and Financial Planning	If we have a large or unexpected loss in our income or cash there is a risk that we will have to reduce the level of prevention, protection and response services we provide to our communities.			✓

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Communication and Engagement	If there is a loss of public or stakeholder confidence in the Service there is a risk that we will not be able to engage effectively with our communities, which will impact on our ability to deliver our services.	✓		
Core Assurance				
Risk Management	Annual Review required of the Authority's / Service's Risk Management process.	✓	✓	✓
Governance	Review required of the Authority's / Service's Governance process.	✓	(Business Planning)	✓
Key Financial Controls	To review the key controls within the finance system which produce the management and Authority management information.	✓	✓	✓
IT Coverage	Potential areas for consideration: Effectiveness of IT Systems, IT Strategy, Freedom of Information.		✓	
Other Internal Audit Activity				
Procurement	To review the procurement/tendering process used by the Authority to ensure integrity and compliance with legislation.	✓		
Project / Contract Management	To ensure that contract service delivery is effectively measured and managed through appropriate contract management and to ensure that adequate project management arrangements are in place and utilised.			✓
Capital Projects	To ensure that an adequate capital programme is in place including, submission of business cases, identification of benefits, approval process, reporting and monitoring of capital projects and the benefits achieved. We have in recent years coverage has included Property and Appliances which are the current signification capital projects.		✓	

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Partnerships	A review of the Authority's partnership arrangements to ensure that the Authority has adequately implemented its action plan and adequately identifies and manages the partnerships they are engaged in.	✓		
PAYE / VAT Health check	A health check review of the organisations PAYE / VAT arrangements in line with HMRC guidance.			✓
Insurance Pool	A review of the insurance arrangements established.	✓		
Property Maintenance	The maintenance of the Service's properties is key to ensuring the operation of the business. This will include a review of the stock condition surveys and resulting work required.			✓
Follow up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
Audit Strategy / Annual Report	<p>This will include:</p> <ul style="list-style-type: none"> Internal Audit Needs Assessment / Strategic and Annual Internal Audit Plans Preparation of the annual internal audit opinion 	✓	✓	✓
Audit Management	<p>This will include:</p> <ul style="list-style-type: none"> Planning; Ongoing liaison and progress reporting; and Preparation for and attendance at Audit, Governance and Review Committee. 	✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Essex Fire Authority. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit, Governance and Review Committee.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. An overview of our client care standards are included at Appendix D of the internal audit strategy plan for 2016/17.

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of internal auditing
- Code of Ethics; and
- International Standards for the Professional Practice of Internal Auditing.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the Daniel Harris (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the Deputy Director of Finance, with further reporting lines to the Director of Finance and Treasurer to the Authority.

The head of internal audit has unrestricted access to the Chair of Audit, Governance and Review Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Essex Fire Authority. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit, Governance and Review Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit, Governance and Review Committee. Equally we do not want

the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit, Governance and Review Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit, Governance and Review Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit, Governance and Review Committee to demonstrate the performance of the internal audit service.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit, Governance and Review Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit, Governance and Review Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit, Governance and Review Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the Authority in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Authority is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Authority to inform the organisation's annual governance statement

The PSIAS use the terms Authority and Senior management. For the purposes of our internal audit services to Essex Fire Authority, these are defined as:

The Authority refers to the Audit, Governance and Review Committee which assumes responsibility for overseeing the work of internal audit.

Senior management is defined as those responsible for the leadership and direction of the organisation.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Fraud

The Audit, Governance and Review Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit, Governance and Review Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit, Governance and Review Committee is also approving the internal audit charter.

APPENDIX D: OUR CLIENT CARE STANDARDS

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date
- The lead auditor to contact the client to confirm logistical arrangements two weeks before the agreed start date.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Two weeks after a debrief meeting a draft report will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

FOR FURTHER INFORMATION CONTACT

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