

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"> • 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. 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

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

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

Aspect of Service	Orbis IA Performance Indicator	Target
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.

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