

EAST SUSSEX FIRE & RESCUE SERVICE

INTERNAL AUDIT ANNUAL REPORT AND OPINION 2022-2023



East Sussex
Fire & Rescue Service

1. Introduction

- 1.1 Orbis Internal Audit has provided the internal audit service to East Sussex Fire and Rescue Service (ESFRS) since 1 April 1997 and we are pleased to submit this annual report of our work for the year ended 31 March 2023. The purpose of this report is to give an opinion on the adequacy and effectiveness of the Fire Authority's framework of internal control.

2. Internal Audit within East Sussex Fire & Rescue Service

- 1.1. On behalf of the Fire Authority, it is a management responsibility to determine the extent of internal control in the Fire Authority's systems, and it should not depend on internal audit as a substitute for effective controls.
- 1.2. The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.
- 1.3. Most of the work carried out by internal audit is in the form of risk-based audits which analyse and report upon the existence, operation, and effectiveness of internal controls within specified systems, both financial and otherwise. Where appropriate, all audit reports produced have included a management action plan where actions are agreed to enhance the level of control, together with an opinion on the systems reviewed.

3. Delivery of the Internal Audit Plan

- 1.1. In accordance with the 2022/23 annual audit plan, a programme of audits, based on an assessment of risk, was carried out across the Fire Authority. As a result of internal resource pressures within the Fire Authority, as well as potential industrial action that may have taken place, several jobs from the audit plan were postponed in agreement with the Assistant Director, Resources and Treasurer and the Senior Leadership Team, which led to an overall reduction in audit days being delivered.
- 1.2. Three audits were deferred to the 2023/24 audit plan because of resourcing issues within HR and Payroll teams, as well as the potential impact that industrial action would have had on those areas (Pensions External Control Assurance, People Strategy and Control Centre – Contract Management).
- 1.3. While the number of audits postponed or cancelled resulted in a reduction of audit days provided from the originally agreed 2022/23 annual audit plan (57 days), we feel that the revised audit plan still delivered sufficient coverage to provide an opinion without any limitations. However, should such a situation continue into future years there is a risk that our ability to provide sufficient assurance could be impacted.
- 1.4. It should be noted that there was one audit in progress at year-end, with the outcomes of this work having been considered in forming our annual opinion as far as this is possible.

4. Audit Opinion

1.5. **No assurance can ever be absolute; however, based on the internal audit work completed, I can provide reasonable assurance¹ that East Sussex Fire & Rescue Service has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.**

Russell Banks, Orbis Chief Internal Auditor

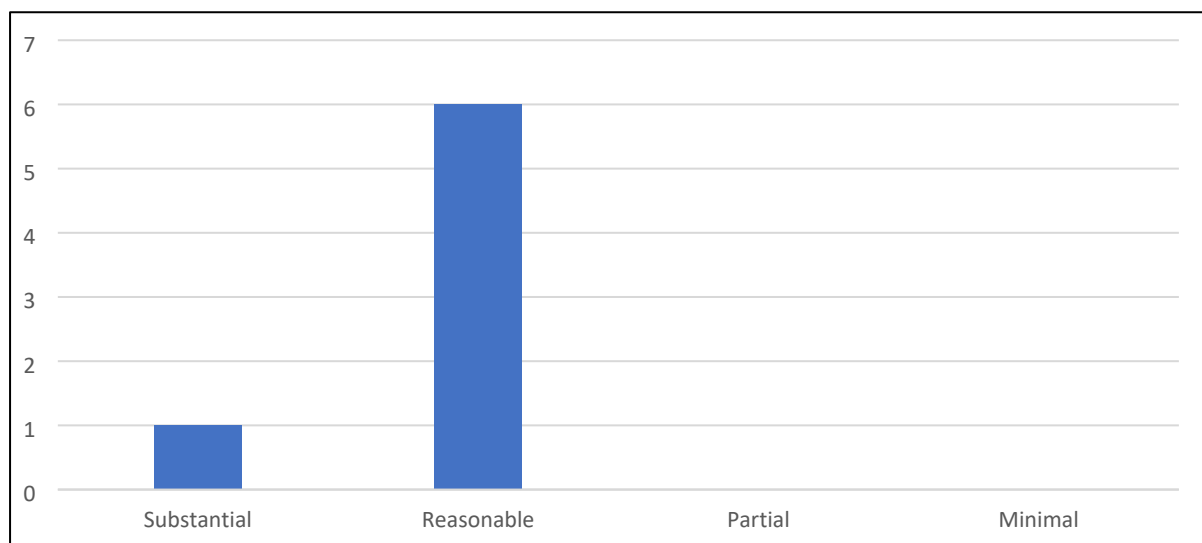
1.6. Where improvements to control or compliance are required, we are satisfied that appropriate action has been agreed by the relevant managers to ensure these improvements are made within reasonable timescales. The overall level of assurance given also takes into account:

- All audit work completed during 2022/23, planned and unplanned;
- Management’s response to audit findings;
- Ongoing advice and liaison with management;
- Effects of significant changes in the Fire Authority’s systems;
- Results of the HMICFRS inspection;
- The extent of resources available to deliver the audit plan;
- Quality of the internal audit service’s performance.

1.7. Other than the deferment of three audits as explained above, no limitations were placed on the scope of internal audit during 2022/23.

5. Summary of Work and Key Findings

1.8. The following chart provides a summary of the outcomes from all audits completed to draft report stage during 2022/23 with standard audit opinions (including key financial system work). An explanation of our assurance levels can be found in Appendix C below.



¹ This opinion is based on the activities set out in paragraph 4.2. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Fire Authority within a single year.

- 1.9. A summary of the main findings from completed reviews is included at Appendix A. Overall, the majority of audit opinions issued in the year were generally positive.

6. Performance

- 1.10. It is the Fire Authority's responsibility to maintain an effective internal audit service and the information set out below should provide a sufficient basis for making this determination.
- 1.11. Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2022/23, including the results of our most recent PSIAS independent external assessment, along with the year end results against our agreed targets.

PSIAS

- 1.12. The Standards cover the following aspects of internal audit, all of which were independently assessed during 2022 by the Institute of Internal Auditors (IIA):
- Purpose, authority and responsibility;
 - Independence and objectivity;
 - Proficiency and due professional care;
 - Quality assurance and improvement programme;
 - Managing the internal audit activity;
 - Nature of work;
 - Engagement planning;
 - Performing the engagement;
 - Communicating results;
 - Monitoring progress; and
 - Communicating the acceptance of risks.
- 1.13. The completed assessment incorporated a full validation of our own comprehensive self-assessment against the standards, together with interviews with key stakeholders from across all the Orbis partner councils and discussions with Internal Audit team members.
- 1.14. It is pleasing to report that Orbis IA were assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary, the service was assessed as:

Excellent in:

- Reflection of the Standards
- Focus on performance, risk and adding value

Good in:

- Operating with efficiency

- Quality Assurance and Improvement Programme

Satisfactory in:

- Coordinating and maximising assurance

1.15. In order to provide some further context to this outcome, of the nineteen assessments carried out by the IIA in the period (covering both public and private sectors), only two other audit bodies were assessed as 'Excellent' against the Standards.

Key Service Targets

1.16. Results against our previously agreed service targets are set out in Appendix B, with a high level of overall performance. Due to operational pressures at both East Sussex Fire & Rescue Service and East Sussex County Council, the target of 90% of the audit plan completed to draft report stage by 31 March 2023 was not achieved, with a figure of 83.3% being completed. However, all but one of the outstanding audits have now been completed to final report stage.

SUMMARY OF INTERNAL AUDIT FINDINGS **For the period of 1 April 2022 to 31 March 2023**

Reporting to Fire Service Management and the Scrutiny and Audit Panel

Where required, representatives from Internal Audit have attended Scrutiny and Audit Panel meetings and offered advice and assistance to management throughout the year. This includes regular liaison meetings with the Assistant Director of Resources and Treasurer and attendance at the Senior Leadership Team, along with the production of the annual report and opinion and annual strategy and audit plan for presentation to the Scrutiny and Audit Panel. Internal Audit has also met separately with the Chair of the Scrutiny and Audit Panel to discuss the Internal Audit Strategy and Plan.

Audit of Key Financial Systems

The Fire Authority uses the main financial systems of East Sussex County Council. On a cyclical basis, we review the key controls within these systems as part of our programme of key financial system audits.

Accounts Receivable

The purpose of this audit was to provide assurance that controls are in place and operating effectively to ensure that:

- All income generating activities are identified and accurately raised to customers.
- A Customer account maintenance process is in place and operating effectively.
- Amendments to invoices are correct and authorised.
- Collection and debt recovery is managed efficiently and effectively, and resources are focused on areas of priority debt.
- Write-offs are processed accurately and correctly authorised.
- Payments are received and recorded against the correct debtor account in a timely manner.
- Reconciliations between the debtors system and the General Ledger are undertaken on a regular basis.

In completing our work, we were able to provide an opinion of **reasonable assurance** over the controls in place and no material processing errors were identified. We found that the Accounts Receivable system was well controlled with invoices raised with a high-level of accuracy. Furthermore, there were sound income allocation and reconciliation processes in place, with any discrepancies investigated in a timely manner.

In addition to the above areas of good practice, we found some opportunities to further improve the control environment, including that:

- A robust process is put in place to ensure that Finance are duly notified in the event that the Fire Service undertake a call in relation to a special service, to allow for an invoice to be raised; and
- An income collection manual note for the Fire Service is documented, which will provide guidance to officers in relation to financial procedures such as timeliness of invoices being raised, what constitutes proof of debt and payment methodologies (e.g. residual payments/instalments).

A formal action plan to address these areas was agreed with management.

Accounts Payable

The purpose of this audit was to provide assurance that controls are in place and operating effectively to ensure that:

- Orders are only raised for goods, works and services that are needed by the Fire Authority.
- Invoices are only paid for goods, works and services that are needed by the Fire Authority.
- All payments are made to the correct vendors, for the correct amounts, at the right time and only for goods works or services ordered and received satisfactorily by the Fire Authority.
- Only vendors that meet the needs of the Fire Authority, and that do not already exist in the accounting system, are set up and their details are maintained accurately.
- Transactions in the Accounts Payable System are completely and accurately transferred to, and reflected, in the General Ledger.

Overall, we were able to provide an opinion of **reasonable assurance**. We found that:

- A well-controlled process is in place to ensure that both order and non-order purchases are raised in advance of all goods, works and services.
- New vendors are subject to review and authorisation prior to being set up in SAP, with appropriate separation of duties within the process.
- Bank detail changes made to vendors are subject to completion of checks, with an appropriate officer carrying out the authorisation within SAP.
- There is a robust process in place for general ledger reconciliation, including clearly defined roles and responsibilities, and approval from a senior officer within the Finance team to maintain separation of duties.

While controls operating within the Accounts Payable were generally found to be working effectively, some weaknesses were identified where action needs to be taken to further improve the control environment, including:

- The approval process for purchase orders was not as robust as it could be with several instances of a lack of separation of duties within the process discovered.
- Processes to help ensure the prompt payment of invoices were not being actioned, which contributed to ~18% of invoices not being paid by the Fire Authority within their agreed payment terms in 2022/23 financial year.

Actions to address all the issues raised have been agreed with management as part of a comprehensive management action plan.

MBOS – Governance & Risk Management

ESFRS buys into the use of the Enterprise Resource Planning (ERP) system from East Sussex County Council, who are currently delivering the Modernising Back Office Systems Programme (MBOS) to replace the current SAP system. The new system, Oracle Fusion, is expected to be implemented in late 2023. The Fire Authority, whilst not directly involved in all elements of the implementation, are managing MBOS from their perspective, and have appointed a project manager to lead and support the Authority on their interactions with the programme.

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- There is clear purpose and sufficient planning and preparation to support the programme.
- An appropriate governance structure is in place to oversee the programme.
- Risks are appropriately identified, evaluated and managed.
- Reporting and communication during programme implementation is well managed.
- Implementation of the programme is effective.
- The key deliverables of the programme are understood and clearly documented.
- Arrangements in place to close the programme and return to business as usual is well managed.

In completing our work, we were able to provide an opinion of **reasonable assurance** over the controls in place. We found that:

- The Authority maintains oversight of progress on implementation through the MBOS Project Board, with adequate coverage of the project timeline and milestones, risks, assumptions, issues, dependencies, highlights, financial performance and upcoming decisions.
- Roles and responsibilities of the project team and key stakeholders have been formally documented and agreed by the MBOS Project Board. Stakeholder engagement and communication plans have been developed and the Project lead meets regularly with both internal and external stakeholders to escalate any issues and keep abreast of progress.
- The Programme Sponsor attends ESCC's Programme Board and is able to challenge and contribute to decision making at programme level. Relevant information is shared with the MBOS Project Board, with issues and actions being appropriately logged and followed up.
- Effective risk management arrangements are in place to ensure that appropriate risks have been identified, with these appearing to be well evaluated and managed and visible by the provider ESCC.

Overall good practice had been observed and effective governance is in place, however, some risks were identified that needed to be mitigated:

- Consideration of key criteria to be delivered prior to key stages in the implementation process will need to be defined by the Authority and agreed with the provider.
- Currently, there is no indication of the business-as-usual costs to the Authority once the system goes live. This could impact the financial feasibility of this arrangement with ESCC.

An action plan for the to address the issues raised was agreed with management.

III-Health Retirement Arrangements

There are two ways in which a firefighter who has suffered ill-health or injury can be provided for. This provision can be made via the Pension scheme (for ill-health) and/or via the Compensation Scheme (for injury). Where firefighters are members of more than one pension scheme, this adds additional complexities to the ill-health retirement arrangements. In addition, the firefighters' Compensation Scheme allows the award of additional benefits where the incapacity has been occasioned by a qualifying injury, with the level of benefits

payable determined by the individual's earnings capacity. The costs for the compensation scheme are borne entirely by the Fire Authority.

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Pensions are accurately calculated in accordance with regulatory requirements;
- Awards are regularly reviewed in accordance with the relevant scheme; and
- Administration processes/tasks are completed consistently and in a timely manner (including those delivered by third parties).

Overall, we were able to provide an opinion of **reasonable assurance** over the controls in place.

The process for undertaking ill-health retirement cases is clearly defined within a policy document, which outlines the steps taken by various individuals, teams and organisations who are involved in the Independent Qualified Medical Practitioners (IQMP) process. Roles and responsibilities within the team are clearly defined, with cases being sent to the Chief Fire Officer for approval before employees are formally offered retirement.

In all cases tested, an appropriate IQMP had been engaged to provide a medical opinion before employees were retired on ill-health or injury grounds, providing an informed assessment as to the degree of illness or injury, and reducing the risk of fraudulent claims being paid. Further steps are taken by the Fire Authority's administering authority to provide appropriate checks on calculations before they are sent to ESFRS, increasing the likelihood of calculations being accurate based upon the information provided.

While areas of good practice were identified, issues were discovered which require attention from the Fire Authority:

- Policy and process documentation does not provide sufficient detail in relation to the steps to take, or the payments entitled to, should an injury occur to an employee during the course of their duties. This has contributed to the lack of clarity within the team around the duration of service that employees are required to undertake before they become eligible to receive injury or ill-health pensions, or an injury gratuity payment. Such uncertainty may lead to employees being advised incorrectly or making decisions based on inaccurate information.
- No reviews are taking place once an employee has retired on ill-health or injury grounds. These reviews are required by the Firefighters Pension Schemes to ascertain whether their condition has improved and the suitability of the pension that they are receiving.
- The ill-health and injury retirement processes are not always being followed correctly. Instances were found where the correct forms are not always being provided, and the calculations used did not contain details as to which scheme the pension was to be paid under, which can alter eligibility requirements.
- There are concerns over the timeliness of information provision and assessment once an employee has been referred to MediGold, the contracted provider of Independent Qualified Medical Practitioners. Review identified that there is no service level agreement (SLA) to detail the accepted time between a referral being made and an opinion being provided, increasing the risk of further delays.

Actions to address all of the issues raised have been agreed with management as part of a comprehensive management action plan.

Management of Governance Actions

ESFRS use a number of systems to manage and track governance actions across the Fire Authority. Actions within these systems include tracking the review periods for manual notes, as well as actions raised via internal / external assessment/assurance providers (e.g., HMICFRS, Health and Safety, Station Audits or Internal Audit).

The purpose of this audit was to provide assurance that suitable controls are in place to record, monitor and track progress against governance actions, as well as ensuring that appropriate reporting of any progress is made.

Overall, we were able to provide an opinion of **reasonable assurance**. We found that:

- The process for recording actions from internal and external assessments and audits are accurate and thorough. Each key area has a system owner, their responsibility includes assigning an action owner, distribution of tracking reports to Assistant Directors and Heads of Departments and the monitoring of actions within the system.
- For actions being classed as high risk, evidence is required for the closure of those actions and needs to be deemed as sufficient before they are marked as completed upon receipt of this supporting documentation. A manual reminder process is in place, with action holders being held accountable for updates and closure of actions.
- Working groups and committees provide governance and oversight and track and monitor actions within each key area, which helps support the delivery of actions within the expected implementation timeframe. Where extensions are required for actions, a request is agreed prior to an extension to the implementation date.

In addition to the above areas of good practice, we found some opportunities to further improve the control environment, including that:

- A robust process is put in place for the management, reminder and review of Manual Notes across the Fire Authority; and
- Development of an automated reminder process for all forms of actions to create further efficiencies within the Fire Authority, rather than relying on a manual process.

A formal action plan to address these areas was agreed with management.

IT Asset Management

This review looked to assess the current arrangements in place over hardware asset management, which includes the process of tracking and managing the physical components of equipment from acquisition to disposal. IT services, including management of IT Assets at ESFRS has been outsourced to Telent since 2016. Telent are responsible for the storage, purchasing (with a few exceptions), disposal, and distribution of IT assets, except for Fireground radios that are currently managed by the ESFRS Engineering department. This included providing assurance that controls are in place to meet the following objectives:

- Appropriate governance arrangements are in place for the procurement and disposal of hardware assets.
- There are robust arrangements in place for the recording and monitoring of hardware assets.
- Robust arrangements exist to record the transfer of hardware assets or submission into central IT stores when employees leave or move posts.
- Appropriate security arrangements are in place for the storage of hardware assets.

In providing an opinion of **reasonable assurance**, we found that there are robust processes in place for the distribution of assets, including asset requests requiring approval from ESFRS IT governance before distribution. A cloud-based IT assets register is in place; with used to manage assets including the update, addition and disposal of assets, with monitoring processes in place through a variety of different measures; including the remote management of mobile devices. Appropriate storage arrangements are in place with hardware assets being stored in rooms locked by Digi-code accessed only by approved and appropriate staff.

In addition to the above areas of good practice, however, we identified some areas where controls could be further improved. In particular, through ensuring that:

- A process for review of reconciliation of the asset register is introduced to help prevent from assets being recorded incorrectly;
- Policy and process documentation is updated and reviewed on a regular basis to ensure guidance and information for employees is accurate and up to date.

Actions to address all of the issues raised have been agreed with management as part of a comprehensive management action plan.

Surveillance Cameras (Follow-up)

The Protection of Freedoms Act 2012 (PoFA) introduced the regulation of public space surveillance cameras in England and Wales. As a result, a surveillance camera code of practice (SC Code) was issued by the Secretary of State through the Surveillance Camera Commissioner (now referred to as the Biometrics and Surveillance Camera Commissioner) to ensure that the use of cameras in public places is regulated and only used in pursuit of a specified purpose. Whilst the PoFA and SC Code are not specifically targeted at Fire and Rescue Services (rather, local authorities and the police are the focus), the code acknowledges that “many surveillance camera systems are operated by...other public authorities”, which are encouraged to adopt the code voluntarily. Therefore, the SC Code was used as an example of best practice for the purposes of this audit.

A review to provide assurance that the Fire Authority had appropriate arrangements in place to ensure that the deployment of surveillance camera systems in public spaces is effective, proportionate and transparent, ensuring that their use complies with the Surveillance Camera Commissioner’s code of practice and data protection legislation was undertaken in 2021/22, with an audit opinion given of partial assurance. In undertaking a follow-up review to confirm whether the agreed actions have been implemented, we found significant areas of improvement since the previous audit, resulting in an improved opinion of **substantial assurance**. These included:

- A single corporate policy document has been developed and implemented to cover the use of surveillance cameras used on both buildings and vehicles. The document outlines the process behind things such as Data Protection Law, Data Retention and defines the responsibilities of internal staff and external partners.
- A Single Point of Contact with responsibility for compliance with the surveillance camera code has been identified.
- A process for the completion of Data Protection Impact Assessments (DPIAs) has been developed and implemented for the installation of CCTV cameras.

SUMMARY OF PERFORMANCE INDICATORS FOR 2022/23

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Scrutiny and Audit Panel	June	G	2022/23 Annual Audit Plan approved by Scrutiny and Audit Panel on 12 May 2022
	Annual Audit Report and Opinion	July	G	2021/22 Annual Report and Opinion approved by Scrutiny and Audit Panel on 21 July 2022
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit plan – completion to draft report stage by 31 March 2022	90%	A	83.3% of revised plan to draft report stage
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	<p>Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit was assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as:</p> <p>Excellent in:</p> <ul style="list-style-type: none"> • Reflection of the Standards • Focus on performance, risk, and adding value <p>Good in:</p> <ul style="list-style-type: none"> • Operating with efficiency

				<ul style="list-style-type: none"> Quality Assurance and Improvement Programme <p>Satisfactory in:</p> <ul style="list-style-type: none"> Coordinating and maximising assurance
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcomes and degree of influence	Agreement to audit findings	95%	G	100%
Our staff	Professional Qualified/Accredited	80%	G	93%

Internal Audit Assurance Levels:

Substantial Assurance: Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

Reasonable Assurance: Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

Partial Assurance: There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.

Minimal Assurance: Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.