

STAFFORDSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

Internal Audit Strategy 2020/21 - 2022/23

DRAFT

Presented at the Ethics, Transparency and Audit Panel (ETAP)

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.

EXECUTIVE SUMMARY

Our Internal Audit Plan for 2020/21 is presented for consideration by the ETAP.

The key points to note from our plan are:



2020/21 Internal Audit priorities: Internal audit activity for 2020/21 is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting you in the year ahead, including changes within the sector. Our detailed plan for 2020/21 is included at Section 1.



Level of Resource: The level of resource required to deliver the plan is consistent with our other Fire Authority clients of a similar size, with the daily rates set out in the agreement made upon our appointment. We will compliment our audits with the use of technology when undertaking operational audits in 2020/21. This will strengthen our sampling, increasing the level of assurance provided. Refer to Appendix A.



Core Assurance: As well as reviews specifically linked to your risks, we have assigned a number of days to undertake core audit reviews linked to fundamental financial and operational systems. These include work around **Governance assurance** and **financial systems**.

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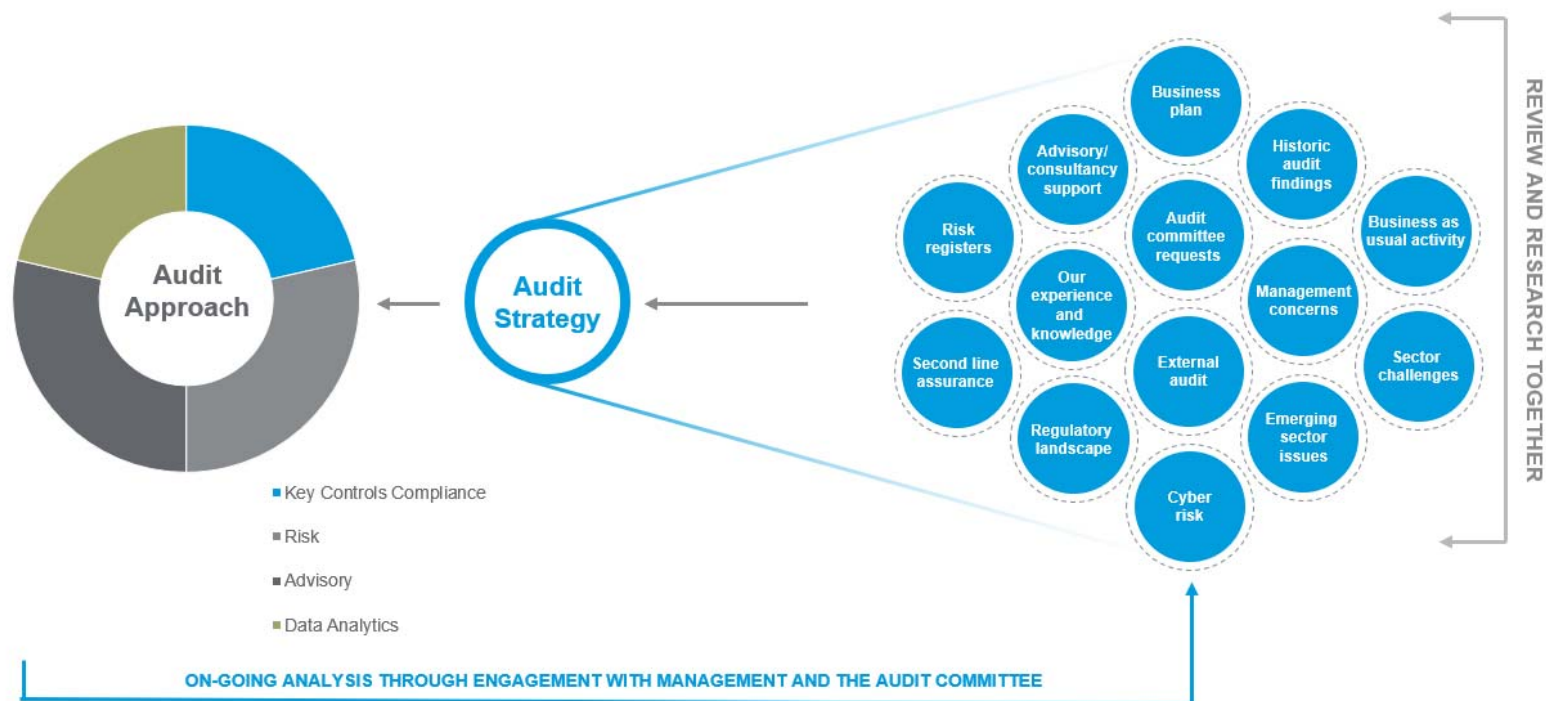
1. YOUR INTERNAL AUDIT PLAN 2020/21

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 Staffordshire Commissioner Fire and Rescue Authority in the year ahead, including changes within the sector.

Risk management processes

We have reviewed your risk register and have placed reliance on this to inform the internal audit strategy. We will be undertaking a review of the risk management framework in place in 2020/21 to ensure that the framework is well designed and being consistently applied.

Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.



Based on our understanding of the organisation, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2020/21

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2020/21. The table details the corporate risks which may warrant internal audit coverage. This review of your risks allows us to ensure that the proposed plan will meet the organisation's assurance needs for the forthcoming and future years. 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.

Objective of the review (Our Priorities and Strategic Risk)	Audit approach	Fee (£)	Proposed timing	Proposed ETAP
Planning, Resilience and Response				
<u>Human Resources – Absence Management</u> To review the control framework for how SF&RS manages both short and long term sickness absence of its workforce, including a review of how long term absence impacts on service delivery, and the steps taken to address this. To also deep dive into the monitoring and management of other forms of leave / absence, such as annual leave and restricted duties. (Risk S1 - Loss/unavailability of employees within Staffordshire Fire & Rescue Service)	Assurance	£3,610	July 2020	October 2020
<u>Risk Management</u> This review will incorporate a 'deep dive' into the risk register. This will include a sample of risks and discussion with the risk owners in relation to the risk description, controls in place, risk score and assurances in place.	Assurance	£2,716	September 2020	December 2020
<u>Fleet Utilisation</u> The audit will be designed so that you can take assurance that there is an effective system of fleet management in place to ensure the right resources are available at the right time, and that value for money is achieved. This will incorporate a follow up of the management actions that were included within our 2019/20 audit report for the Force.	Assurance	£2,667	August 2020	October 2020
<u>Estates - Post Benefit Realisation</u> The allocation is to be utilised to complete a post benefits realisation of the collaboration working around Hanley Police and Fire stations.	Advisory	£2,179	November 2020	January 2021
Education and Engagement				
<u>Partnerships</u> Given the number of partners that the Service is working with to deliver its vision and aims, it is sensible to include some coverage of those partners, how the relationship is managed and how	Assurance	£3,578	September 2020	December 2020

Objective of the review (Our Priorities and Strategic Risk)	Audit approach	Fee (£)	Proposed timing	Proposed ETAP
outcomes are measured effectively and to ensure the service and assurances that are expected to be delivered are actually being delivered. (Risk S5 - Increased levels of demands by partners making budgetary and service delivery decisions)				
Community Safety & Wellbeing				
<u>Safeguarding</u> To ensure that there is policy and procedure and that it is being applied consistently across the Service. The audit will consider how cases are referred and tracked internally and monitored and reported. It is likely that the audit will utilise our data analytics software which can assist in identifying any trends in data and any compliance exceptions. (Risk S6 - Failure of the SF&RS to raise awareness and be prepared in all respects, to work closely with our strategic partners over issues concerning the wellbeing and protection of vulnerable adults, young people and children in our communities)	Assurance	£2,976	December 2020	March 2021
Other Internal Audit Activity				
<u>Key Financial Controls</u> A rolling programme of key financial control audits, focusing for 2020/21 on budgetary control, supplier data management and supplier payments.	Assurance	£3,269	September 2020	December 2020
<u>Payroll</u> To provide assurance over the key controls over starters, leavers and accuracy of payments being made. The audit will include testing on both systems utilised at Force and Fire and will highlight any good practice or system benefits from both systems to inform any potential decision regarding the options to merge/replace systems.	Assurance	£2,179	May 2020	July 2020
<u>Follow Up</u> To meet internal auditing standards, and to provide assurance on action taken to address actions previously agreed by management.	Follow up	£2,800	Every 6 months	Every 6 months
<u>Management</u> This will include: <ul style="list-style-type: none"> Annual planning Preparation for, and attendance at, ETAP 	Advisory	£7,936	Throughout the year	N/A

Objective of the review (Our Priorities and Strategic Risk)	Audit approach	Fee (£)	Proposed timing	Proposed ETAP
<ul style="list-style-type: none"> Regular liaison and progress updates Liaison with external audit and other assurance providers Preparation of the annual opinion 				

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The Ethics, Transparency and Audit Panel (ETAP) 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 HMICFRS and external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Dan Harris as your Head of Internal Audit, supported by Angela Ward as your senior manager.

Fees

Our fee to deliver the plan is £33,778 (excluding VAT). Please see appendix A for full details.

Core team

The delivery of the 2020/21 audit plan will be based around a core team. However, we will complement the team with additional specialist skills where required.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

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 in 2016 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 “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to ETAP and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

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.

APPENDIX B: INTERNAL AUDIT STRATEGY 2020-2023

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

Internal Audit – Third Line of Assurance (Independent review / assurance)

2020/21

2021/22

2022/23

Audit Area

Human Resources

✓

✓

Absence Mgmt

Training &
Development

Safeguarding

✓

Mental Health & Wellbeing

✓

Financial Management / Key Financial Controls

✓

✓

✓

Community Safety Plan

✓

Payments to Staff

✓

Estates

✓

✓

✓

Fleet Management

✓

✓

Business Continuity

✓

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

Internal Audit – Third Line of Assurance
(Independent review / assurance)

2020/21

2021/22

2022/23

Audit Area

Cyber Security & GDPR

✓

ICT / System Ownership

✓

Procurement

✓

Collaboration / Partnerships

✓

✓

✓

Governance

✓

Risk Management / Assurance

✓

✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Staffordshire Commissioner Fire and Rescue 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 ETAP.

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. 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
- The Standards.

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 Partner, Dan Harris (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the Director of Finance, with further reporting lines to the ETAP Chair.

Conflicts of interest may arise where RSM provides services other than internal audit to Staffordshire Commissioner Fire and Rescue 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 ETAP.

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 ETAP. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

The head of internal audit has unrestricted access to the chair of ETAP 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 Staffordshire Commissioner Fire and Rescue 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 ETAP. 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 ETAP. 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 ETAP 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 ETAP.
- 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 ETAP to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Senior Management are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.
- Fire Authority - the highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "board" may refer to a committee or another body to which the governing body has delegated certain functions (eg an ETAP).

Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope four 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 at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- 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.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Sharefile.
- Management responses to the draft report should be submitted to RSM.
- Within three working 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.

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 ETAP.
- 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 ETAP. 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 ETAP 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 board 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 board 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 Board to inform the organisation's annual governance statement.

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.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the ETAP.

Fraud

The ETAP recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the ETAP 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 ETAP is also approving the internal audit charter.

FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Staffordshire Commissioner Fire and Rescue Authority, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.