

Item 7 (iv)

STAFFORDSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

Annual internal audit report 2023/24

15 May 2024

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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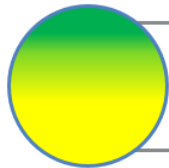


THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance reporting.

The opinion

For the 12 months ended 31 March 2024, the head of internal audit opinion for Staffordshire Commissioner Fire and Rescue Authority (The Authority) is as follows:



The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Ethics, Transparency and Audit Panel (ETAP), our opinion is subject to inherent limitations, as detailed below:

- internal audit has not reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the board takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance; and
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

Our Governance opinion has been informed by our reviews that incorporated both operational and strategic governance aspects, together with our specific assignment around Whistleblowing.

Our Risk Management opinion has been informed by our risk-based approach to individual assignments, together with our specific audit of Risk Management. We have also attended all ETAP meetings throughout the year where we have seen updates provided by management on the strategic risk register to ETAP. These updates provide assurance to the ETAP on how risks are identified, documented and managed and allow the ETAP the opportunity to ask questions, challenge and seek assurance.

Our internal controls opinion has been informed by all of the reviews undertaken in the 2023/24 internal audit plan. We have issued six reports, of which three reports concluded that 'substantial' (positive) assurance could be taken, one report concluded that 'reasonable' (positive) assurance could be taken and one report concluded that only 'minimal' (negative) assurance could be taken. In addition, we completed a follow up review and concluded that reasonable (positive) progress had been made by the organisation to implement previously agreed management actions.

For the report where we concluded that 'minimal' assurance could be taken, this related to the following area:

Driver Training

We identified significant issues relating to managerial leadership and visibility for driver training. Our testing identified exceptions across basic controls regarding the completion of mandatory license checks (used to inform of any disqualified drivers), recording training documentation and effective visibility of retiring officers to inform future demand needs. In order to improve and obtain consistent levels of trained drivers across stations and shifts and to ensure it is both effective and sustainable, the control framework (both design and application) needs to be strengthened. RSM will be undertaking a follow-up audit in 2024/25 to ensure that the control framework has been strengthened and the recommendations implemented.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Topics judged relevant for consideration as part of the annual governance statement

From the results of our internal audit work completed during 2023/24, the Authority should consider the issues identified in the Driver Training review for inclusion within the annual governance statement, along with any action already taken or planned to address the issues identified. HMICFRS commenced their latest inspection of the Service in February 2024, with their inspection report due to be published later in 2024. RSM and management will consider if any changes are required to the Internal Audit Strategy following publication.

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Acceptance of internal audit management actions

Management have agreed actions to address the findings reported by the internal audit service during 2023/24.

Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made **reasonable progress** in implementing the agreed actions. We re-iterated one medium priority management action as a result of this review.

Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE

Wider value adding delivery

Area of work	How has this added value?
Emergency Services News Briefings	In our regular news briefings, we drew attention to some of the key developments and publications in the sector, such as fire performance and effectiveness.
Emergency Services Risk Register Analysis	In seeking to understand the key risks faced by our emergency services clients, we examined the contents of 38 emergency services' strategic risk registers. 540 individual risks were analysed from across police and fire services. Key observations were provided to the ETAP as part of our report.
Emergency Services Benchmarking of Internal Audit Actions	<p>This paper provided a benchmark for our individual clients, allowing for self-assessment against all of our emergency services clients. At the assignment level, benchmarking provided:</p> <ul style="list-style-type: none"> • a comparison against the numbers of actions agreed; • the assurance opinions provided across the sector in our client base; • a summary of the key areas where high internal audit management actions were agreed; and • a comparison of Head of Internal Audit (HOIA) opinions.
Best Practice	Shared best practice across the sector through our work.
The NED Network	The role of the Non-Executive Director is crucial. Whilst not typically involved in the day-to-day operations of a firm, they should be influencing policy, culture and accountability. RSM launched The NED network to help non-executive directors stay abreast of key issues, networking with peers and share ideas. Non-executive directors are invited to join free of charge. We have delivered an annual programme of events, along with supporting insights, articles and blogs designed specifically for our NED community.
Use of specialists	We have utilised specialists to support the delivery of the Internal Audit plan throughout 2023/24. Such as the use of fraud and data analytics specialists in the BPSS Controls Assurance review.
Sector Experience	We have also made suggestions throughout our audit reports based on our knowledge and experience in the emergency services sector to provide areas for consideration.
RSM's Emerging Risk Radar	We provided our latest Emerging Risk Radar, which analyses the responses from board members and professional advisors in relation to emerging events or threats that could impact a business either negatively or positively.

Conflicts of interest

RSM were commissioned to undertake an options review for the Fire Service in 2023/24. This engagement was undertaken through a separate letter of engagement, reporting lines and engagement partner, with the Head of Internal Audit having no involvement in this engagement. Therefore, we do not consider this constituted a conflict of interest and we have actively managed any potential self-review threat ahead of accepting this engagement. RSM has therefore not undertaken any work or activity during 2023/24 that would lead us to declare any conflict of interest. We are also 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.

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 2021 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice, as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA, on which PSIAS is based.

The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

Resulting from the programme in 2023/24, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

In addition to this, any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments is also taken into consideration to continually improve the service we provide and inform any training requirements.

Performance indicators

Delivery

Quality

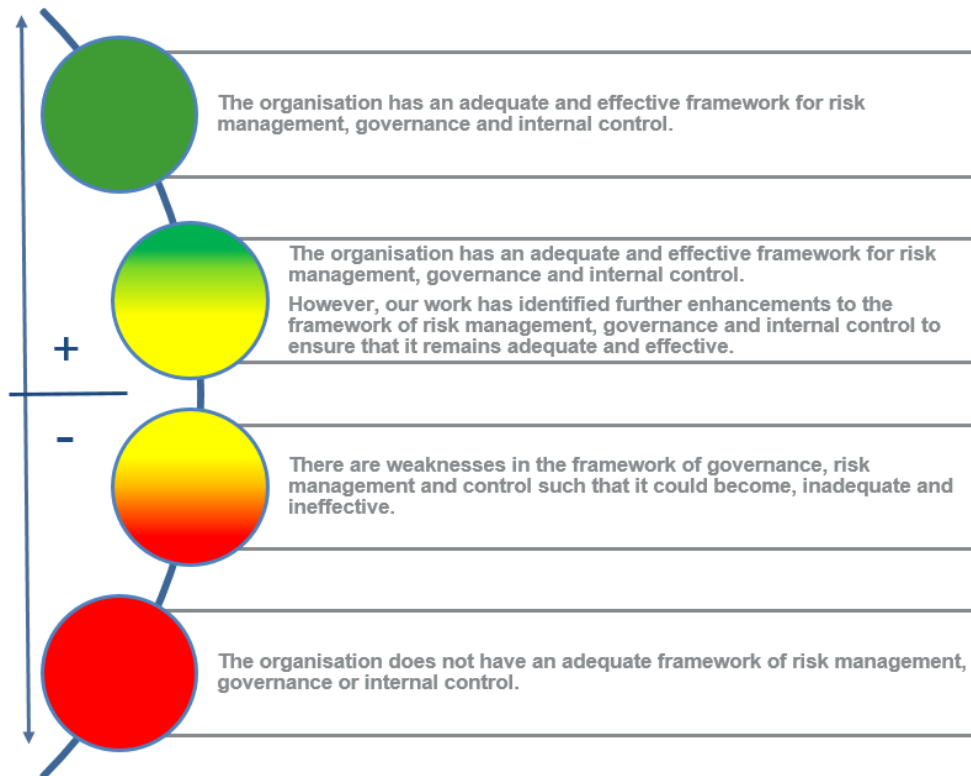
	Target	Actual		Target	Actual
Audits commenced in line with original timescales*	Yes	Yes	Conformance with PSIAS and IIA Standards	Yes	Yes
Draft reports issued within 10 days of debrief meeting	10 days	9 days	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes
Management responses received within 10 days of draft report	10 days	10 days	Response time for all general enquiries for assistance	2 working days	2 working days
Final report issued within 3 days of management response	3 days	1 day	Response for emergencies and potential fraud	1 working day	1 working day

* This takes into account changes agreed by management and ETAP during the year; reflecting our 'agile' / 'flexible' approach to our service delivery.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
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The factors which are considered when influencing our opinion are:

- inherent risk in the area being audited;
- limitations in the individual audit assignments;
- the adequacy and effectiveness of the risk management and / or governance control framework;
- the impact of weakness identified;
- the level of risk exposure; and
- the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2023/24

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Executive lead	Assurance level	Actions agreed		
			L	M	H
Risk Management	David Greensmith, Director of Finance	Substantial Assurance [●]	0	2	0
Financial Controls	David Greensmith, Director of Finance	Substantial Assurance [●]	1	1	0
Payroll	David Greensmith, Director of Finance	Substantial Assurance [●]	0	1	0
Whistleblowing	David Greensmith, Director of Finance	Reasonable Assurance [●]	1	1	1
Follow Up	Various	Reasonable Progress [●]	0	1	0
Driver Training	Jim Bywater, Area Manager & Head of Operations	Minimal Assurance [●]	0	6	4

APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the board can take:

	<p>Taking account of the issues identified, the board can take minimal assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
	<p>Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

YOUR INTERNAL AUDIT TEAM

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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 Fire and Rescue Service, 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 UK 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 UK 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.

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