



# ESSEX FIRE

## Internal Audit Strategy 2017/18

Presented at the audit, governance and review  
committee meeting of:

19 April 2017



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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.



## 2 DEVELOPING THE INTERNAL AUDIT STRATEGY

We use your objectives 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 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 Assistant Director of Finance and the Finance Director & 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).

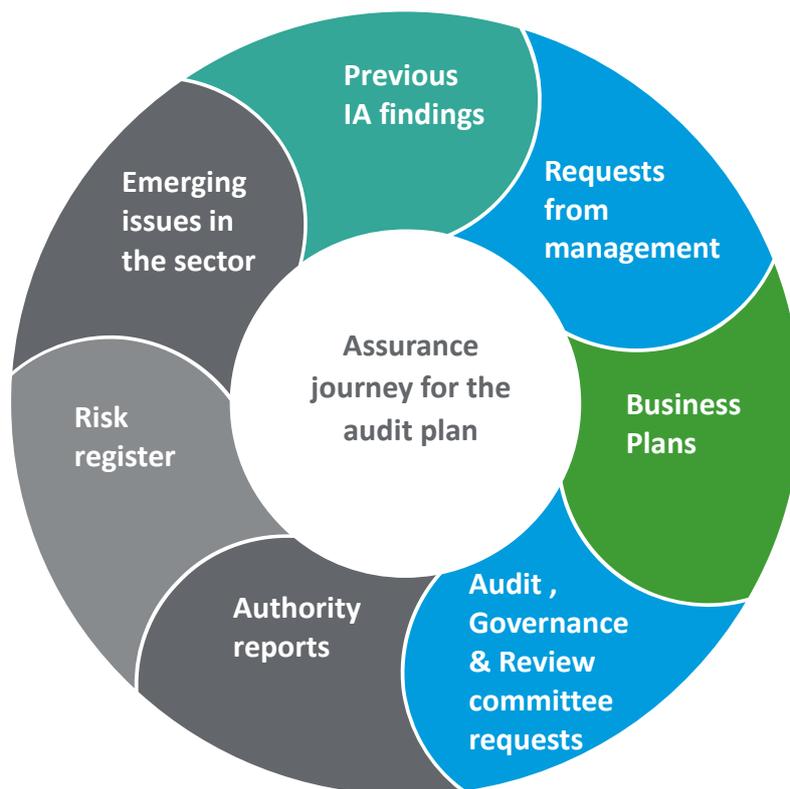


Figure A: Sources considered when developing the internal audit strategy

### 2.2 Emerging risks in the sector

The Policing and Crime Act 2017 is now in place (from 31 January 2017) introducing a number of measures including giving police and crime commissioners the option of taking on responsibility for the governance of local fire and rescue services and placing a duty for emergency services to explore collaboration opportunities to improve effectiveness or efficiency. Within Essex a business case has been developed and a public consultation is in progress to consider the options available, coverage has therefore been included as part of our Governance review within the 2017/18 audit plan.

There are significant changes in the requirements of Data Protection as a result of the 2016 major overhaul of EU Data Protection laws. Management are aware of the requirements and we are advised working towards these. We have not therefore been requested to include this in our plan at the current time, however, this is being kept under review by management.

## 2.3 Levels of assurance given to date

The table below informs the Committee of the audits carried in our audit plans in the previous three years, giving an overview of the assurances issued. This table will help to provide context when considering the key risk areas you wish to include in this year's plan which are detailed in section 2.4 below.

Assignment	Opinion issued		
	2016/17	2015/16	2014/15
Communication and Engagement			
HR Training & Development			
Risk Protection Pool (Joint report with Bedfordshire Fire and Cambridgeshire Fire)			
IT General Controls Healthcheck			
Purchase of New Appliances			
Risk Management			
Governance			
Key Financial Controls - HR			

Assignment	Opinion issued	
	2016/17	2015/16      2014/15
Key Financial Controls - GL		 
Property Maintenance		
Data Retention		
Human Resources - Transactional Process		
Fleet Management		
Fuel Cards		
Performance Management		
Budgetary Setting & Control		
Business Planning		

## 2.4 Rational for inclusion in the Audit Plan

Each of the reviews that we propose to undertake is detailed in the internal audit plan and strategy within appendices A and B. In the table below we bring to your attention particular key audit areas and discuss the rationale for their inclusion or exclusion within the strategy.

Area	Reason for inclusion or exclusion in the audit plan/strategy
Governance – Transition	It is anticipated that during 2017/18 the Authority will transfer governance arrangements to the Police and Crime Commissioner. As such we are including a review of the changing governance arrangements to ensure these are transparent, well designed and operating effectively in practice.
Project 2020	The Service are working toward the Project 2020 plan to transform the organisation, as such we have included a review of the progress against the plan within our Audit Plan. We have combined this with our planned review of Capital Projects as many of the Capital Projects feed into the Project 2020 plans.
Workforce Planning / Utilisation	The Service have reviewed their workforce planning arrangements. We have included an audit within the 2017/18 to take place once the new arrangements are in place, this will also follow up on our previous review and ensure the required actions are now in place and operating effectively.
Cyber Security	Cyber risk is ever increasing and a risk faced by the Authority and Service, we have included this within the audit plan for 2017/18.

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.

## 2.5 Working with other assurance providers

The Audit, Governance & 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 Daniel Harris, Head of Internal Audit, supported by Suzanne Lane as your senior manager.

### 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).

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 Audit, Governance & Review Committee 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.

### 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 & REVIEW COMMITTEE REQUIREMENTS

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

- Is the Audit, Governance & 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 & Review Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit, Governance & Review Committee content that the standards within the charter in appendix C are appropriate to monitor the performance of internal audit?

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 & Review Committee approve such any amendments to this plan.

## APPENDIX A: INTERNAL AUDIT PLAN 2017/18

Audit	Objective of the review	Fee	Proposed timing
<b>Risk Based Assurance</b>			
Human Resources – Recruitment and Retention	Review of compliance with policies and procedures for the recruitment of officers and support staff. In addition, as part of our review we will include the processes for maximising retention of staff and officers, this will include the Service's review of pay and benefits, in addition to the completion of exit interviews and action taken as a result of these.	£2,340	Q2
Workforce Planning / Utilisation	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. In particular our review will focus on the development of the workforce plan to meet the budget available now and in the future. This will include a review of the underlying assumptions and calculations.	£2,820	Q2
Business Planning	Review of the process for setting the business plan and monitoring performance against the business plan. This will include a review of both the Authority's business plan and also the business plans throughout the Service and the KPIs in place to measure performance.	£2,820	Q3/4
Budgetary Control and Financial Planning	An audit of the processes to set the medium term financial plan and annual budget. This will include testing a sample of entries to challenge the underlying data, the assumptions and the evidence to support this information. In addition as part of our review we will include the monitoring and reporting against the plans, identification of variances and actions taken as a result of any variances.	£2,360	Q3
<b>Core Assurance</b>			
Risk Management	Annual Review required of the Authority's / Service's Risk Management process. Focus on a sample of risks to challenge the controls, assessments, assurances and actions recorded within the risk register.	£2,820	Q4
Governance – Transition	It is anticipated that during 2017/18 the Authority will transfer governance arrangements to the Essex Police and Crime Commissioner. Our review will focus on the changing governance arrangements to ensure these are transparent, well designed and are operating in practice.	£2,870	Q4

Audit	Objective of the review	Fee	Proposed timing
Key Financial Controls	<p>This will include key controls testing, any management concerns and follow up implementation of previously agreed actions. We will review two of the following areas:</p> <ul style="list-style-type: none"> <li>• General Ledger;</li> <li>• Cash, Banking and Treasury Management;</li> <li>• Payments and Creditors + Income and Debtors.</li> </ul>	£2,250	Q4
Payroll	<p>Review of the key controls within the Payroll system to ensure staff and officers are paid the right amount at the right time.</p>	£1,600	Q4
Cyber Security	<p>Cybercrime is a fast-growing area of crime with increasing numbers of criminals exploiting speed, convenience and anonymity to commit a diverse range of criminal activities that know no borders.</p> <p>These crimes can be divided into two broad areas:</p> <ul style="list-style-type: none"> <li>• Attacks against computer hardware and software, for example malware</li> <li>• Financial crimes and corruption, such as online fraud</li> </ul> <p>Our review will focus on the cyber security arrangements in place within the Service.</p>	£3,380	Q1
<b>Controls Compliance</b>			
Project 2020 – including Capital Projects	<p>Review of the work of the Programme Management Board in delivering Project 2020. This will include the governance arrangements and the monitoring of delivery. As part of our review we will sample some aspects of the projects to review the completion, this will include at least one capital project.</p>	£2,870	Q3/4
<b>Other internal audit activity</b>			
Follow up	<p>To meet internal auditing standards, and to provide assurance on action taken to address actions previously agreed by management.</p>	£1,540	Q4
Audit Strategy / Annual Report	<p>This will include:</p> <ul style="list-style-type: none"> <li>• Internal Audit Needs Assessment / Strategic and Annual Internal Audit Plans</li> <li>• Preparation of the annual internal audit opinion</li> </ul>	£2,400	Throughout the year
Audit Management	<p>This will include:</p> <ul style="list-style-type: none"> <li>• Planning and finalising reports;</li> <li>• Ongoing liaison meetings and calls, and progress reporting; and</li> <li>• Preparation for and attendance at Audit Governance and Review Committee.</li> </ul>	£4,724	Throughout the year
<b>TOTAL</b>		<b>£34,794</b>	

## APPENDIX B: INTERNAL AUDIT STRATEGY 2017/18 – 2019/20

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
<b>Risk based assurance</b>				
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"> <li>• Recruitment,</li> <li>• Training and Development,</li> <li>• Appraisals</li> <li>• Absence Management</li> <li>• Transactional Services</li> <li>• Succession Planning</li> </ul>	Loss of Reputation  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.	✓	✓	✓
Workforce Planning / Utilisation	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.  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.		✓	
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.	✓		
<b>Core Assurance</b>				
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.	✓	✓	✓
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.		✓	
<b>Other Internal Audit Activity</b>				
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.			✓
Project 2020 – including 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	This will include: <ul style="list-style-type: none"> <li>Internal Audit Needs Assessment / Strategic and Annual Internal Audit Plans</li> <li>Preparation of the annual internal audit opinion</li> </ul>	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> <li>Planning;</li> <li>Ongoing liaison and progress reporting; and</li> <li>Preparation for and attendance at Audit, Governance and Review Committee.</li> </ul>	✓	✓	✓
<b>Outside of the internal audit plan</b>				
Implementation of the HR & OD Business Solution	We will discuss the scope of this work with management prior to the start of the review to support the implementation of the HR and Payroll System		✓	

# 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 & 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 2017/18 – 2019/20.

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, Daniel Harris (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the Treasurer, with further reporting lines to the Deputy Director of Finance.

The head of internal audit has unrestricted access to the chair of Audit, Governance & 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 & 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 & 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 & 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 & 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 & 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 & 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 & 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 & 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 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.

## Fraud

The Audit, Governance & Review Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit, Governance & 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 & 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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