



ESSEX POLICE, FIRE AND CRIME COMMISSIONER, FIRE AND RESCUE AUTHORITY

DRAFT Internal Audit Strategy 2018/19

**Presented at the audit committee meeting of:
15 December 2017**



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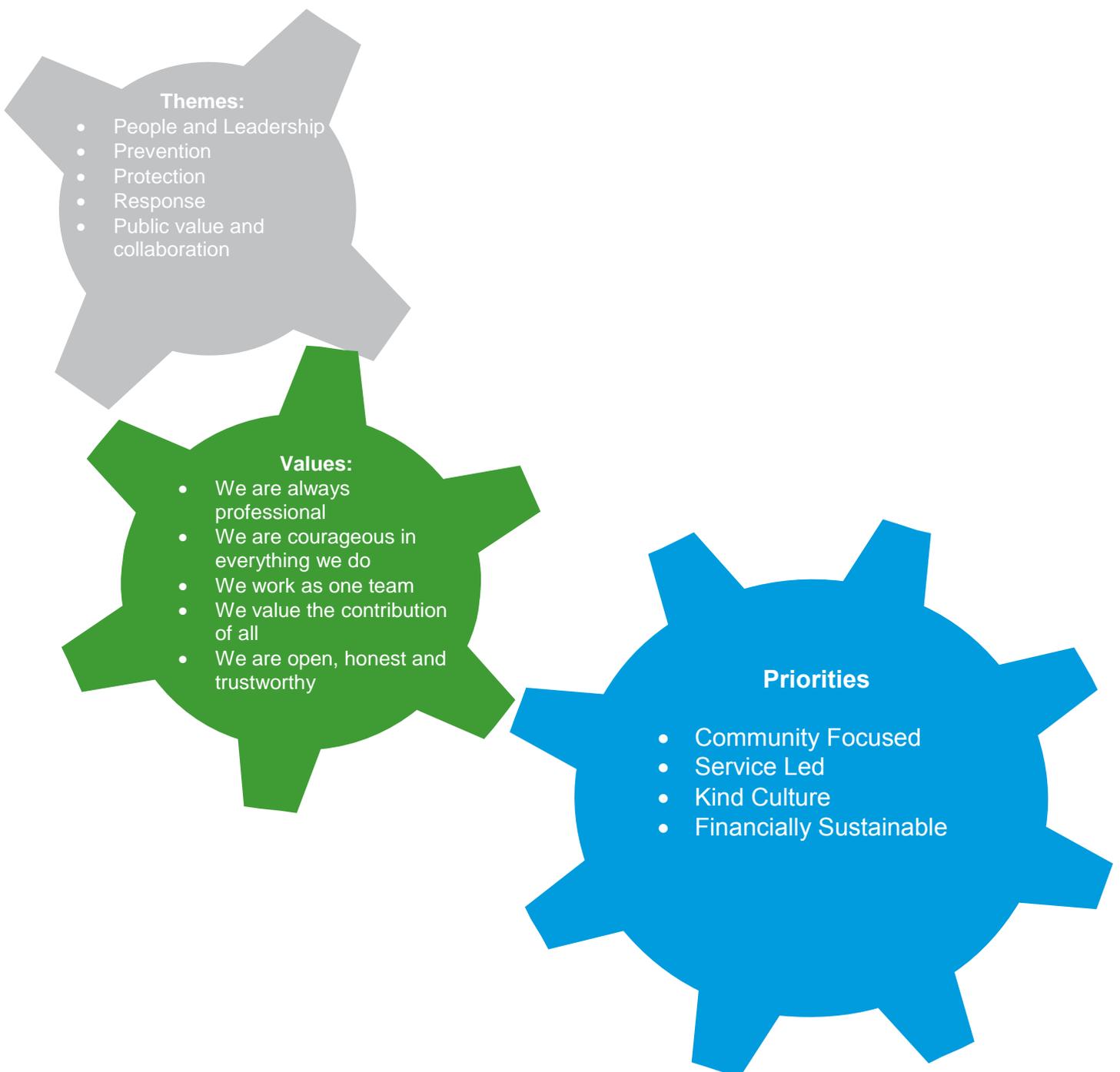


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1 INTRODUCTION

Our approach to developing your internal audit plan is based on analysing your strategic objectives and risk profile as well as other, factors affecting Essex Police, Fire, Crime Commissioner, Fire and Rescue 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 in previous years and provided partial assurance, we understand a lot of work has been undertaken in this area and we are due to review the risk management arrangements again in February 2018, as such we consider that we can in part place reliance on your risk management arrangements to inform the internal audit strategy, but have also sought to understand the key risks as identified by management to inform the 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 Essex Police, Fire, Crime Commissioner, Fire and Rescue 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

Following the Policing and Crime Act 2017 and the requirement to collaborate amongst emergency services, Essex Police, Fire, Crime Commissioner, Fire and Rescue Authority has taken over responsibility for the governance of the Fire Service. It is very early days in terms of the new governance arrangements, some aspects of this are still to be established and embedded, in addition, we understand the Police, Fire, Crime Commissioner, Fire and Rescue Authority is currently in the process of recruiting a number of senior members of staff. These will be considered throughout the year and the audit plan revised in year if necessary to reflect this.

The HMICFRS will commence their inspection regime during the year, we do not propose to undertake any work in this area, but will keep the plans and outcomes under review.

2.3 Rational for inclusion in the Audit Plan

Following discussions with the Assistant Director of Finance and the Finance Director & Treasurer of the Essex Police, Fire, Crime Commissioner, Fire and Rescue Authority we have updated the three year strategy and included the rationale below for their inclusion or exclusion within the draft strategy. Key priority areas will continue to be reviewed and any further amendments proposed presented to the Committee for consideration. Further details on the internal audit plan and strategy can be found within appendices A and B.

Area	Reason for inclusion or exclusion in the audit plan/strategy
General Data Protection Regulation (GDPR)	There are some significant changes in the requirements of Data Protection as a result of the 2016 Major Over hall of EU Data Protection laws coming into force on the 25 May 2018. The Council has previously undertaken a review of the arrangements in place and actions required for the implementation of the GDPR. Our review will follow up on this prior to implementation to assess the preparedness for the organisation.
ICT Contract Management	The Services ICT functions have moved to a cloud contractual basis, we will undertake a review of the contract management in place and assurances provided to the organisation.
Appraisals and development	The organisation has undertaken a lot of work on the appraisals and development of the talent pool within the Service, as such our audit will focus on the compliance with the procedure and the outcomes of the work undertaken.
Programme 2020	Following our review in 2017/18, we discussed priorities for the coming year and considered the key area for implementation this year is the new off road vehicles, however this was not considered a priority for Internal Audit coverage in 2018/19. We will however, include an element of Programme 2020 in the audit plan for 2019/20. The focus of this will be discussed prior to the approval of the 2019/20 audit plan.
Governance and Risk Management	We are due to undertaken reviews of the Governance and Risk Management arrangements within Q4 of 2017/18 depending on the outcome of these reviews we may need to update the audit plan for 2018/19.

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.

2.4 Working with other assurance providers

The audit 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 and HMICFRS where possible 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, supported by Suzanne Rowlett as your senior manager and Anna O’Keeffe as your 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 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

RSM also provides the Internal Audit and other Advisory Services to the Essex Police, Fire, Crime Commissioner, Fire and Rescue Authority and Essex Police, we do not consider there to be a conflict of interest in the services provided.

4 AUDIT COMMITTEE REQUIREMENTS

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

- Is the audit 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 area as they are recognised by the audit committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the audit 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 committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2018/19

Audit	Objective of the review	Proposed timing
Risk Based Assurance		
Human Resources – Appraisals and Development	The organisation has undertaken a lot of work on the appraisals and development of the talent pool within the Service, as such our audit will focus on the compliance with the procedure and the outcomes of the work undertaken.	September / October 2018
Core Assurance		
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.	February / March 2019
Governance	Our review will focus on the new governance arrangements to ensure these are embedded, transparent, well designed and are operating in practice.	February / March 2019
Key Financial Controls	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: <ul style="list-style-type: none"> • General Ledger; • Cash, Banking and Treasury Management; • Payments and Creditors • Income and Debtors. • Asset Register 	February / March 2019
Payroll	Review of the key controls within the Payroll system to ensure staff and officers are paid the right amount at the right time.	January / March 2019
General Data Protection Regulation (GDPR)	There are some significant changes in the requirements of Data Protection as a result of the 2016 Major Over hall of EU Data Protection laws. We will review the preparedness of the organisation to deal with the changes to policies and procedures ready for the May 2018 implementation.	April 2018
Other internal audit activity		
ICT Contract Management	The Services ICT functions have moved to a cloud contractual basis, we will undertake a review of the contract management in place and assurances provided to the Service.	June / July 2018

Audit	Objective of the review	Proposed timing
PAYE Health Check	A health check review of the organisations PAYE arrangements in line with HMRC guidance. This review will be undertaken by our specialist PAYE Consultants.	June / July 2018
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.	August / September 2018
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	February / March 2019
Audit Strategy / Annual Report	This will include: <ul style="list-style-type: none"> • Internal Audit Needs Assessment / Strategic and Annual Internal Audit Plans • Preparation of the annual internal audit opinion 	Throughout the year
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Audit Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers 	Throughout the year

APPENDIX B: INTERNAL AUDIT STRATEGY 2016/17 – 2018/19

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Risk based assurance				
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"> • Recruitment, • Training and Development, • Appraisals • Absence Management • Transactional Services • Succession Planning 	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.	✓		
Core Assurance				
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.		✓	
General Data Protection Regulation (GDPR)	There are some significant changes in the requirements of Data Protection as a result of the 2016 Major Over hall of EU Data Protection laws. We will review the preparedness of the organisation to deal with the changes to policies and procedures ready for 2018.			✓
Other Internal Audit Activity				
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.			✓

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
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.		✓	
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"> Internal Audit Needs Assessment / Strategic and Annual Internal Audit Plans Preparation of the annual internal audit opinion 	✓	✓	✓

Proposed area for coverage	Scope and Associated risk Area	2016/17	2017/18	2018/19
Audit Management	This will include: <ul style="list-style-type: none"> • Planning; • Ongoing liaison and progress reporting; and • Preparation for and attendance at Audit, Governance and Review Committee. 	✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Essex Police, Fire, Crime 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 audit 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 2016/17 – 2018/19.

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 Essex Police, Fire, Crime Commissioner, Fire and Rescue Authority, with further reporting lines to the Section 151 Officer.

RSM also provides the Internal Audit and other Advisory Services to the Essex Police, Fire, Crime Commissioner, Fire and Rescue Authority and Essex Police, we do not consider there to be a conflict of interest by the services provided.

The head of internal audit has unrestricted access to the chair of audit 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 Police, Fire, Crime 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

audit 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 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 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 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 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 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 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 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 committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the audit 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 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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