



ROYAL BERKSHIRE FIRE AUTHORITY

Internal Audit Strategy 2019/20 - 2021/22

Presented at the Audit and Governance Committee meeting of: 11 March 2019

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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 2019/20 is presented for consideration by the Audit and Governance Committee.

The key points to note from our plan are:



2019 Internal Audit priorities: Internal audit activity for 2019/20 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 2019/20 is included at Section 1.



Level of Resource: The level of resource required to deliver the plan is consistent with 2018/19 and is in line with our tender submission and subsequent contract. We will continue with the use of technology when undertaking operational audits in 2019/20. This will strengthen our sampling, increasing the level of assurance provided. Refer to Appendix A.



Core Assurance: At the request of management and detailed in section 2 the areas for consideration are broadly in line with prior years. Discussions with management have identified that it is currently too early to incorporate the findings from the HMICFRS review completed in January 2019 into the audit plan with the formal report expected in the Summer 2019 as such no specific reviews have been included.

We have also included three call off audits where the exact nature of the coverage is to be determined by either management or the Audit and Governance Committee (but will always be approved by the Committee), this is a similar approach adopted in previous years,

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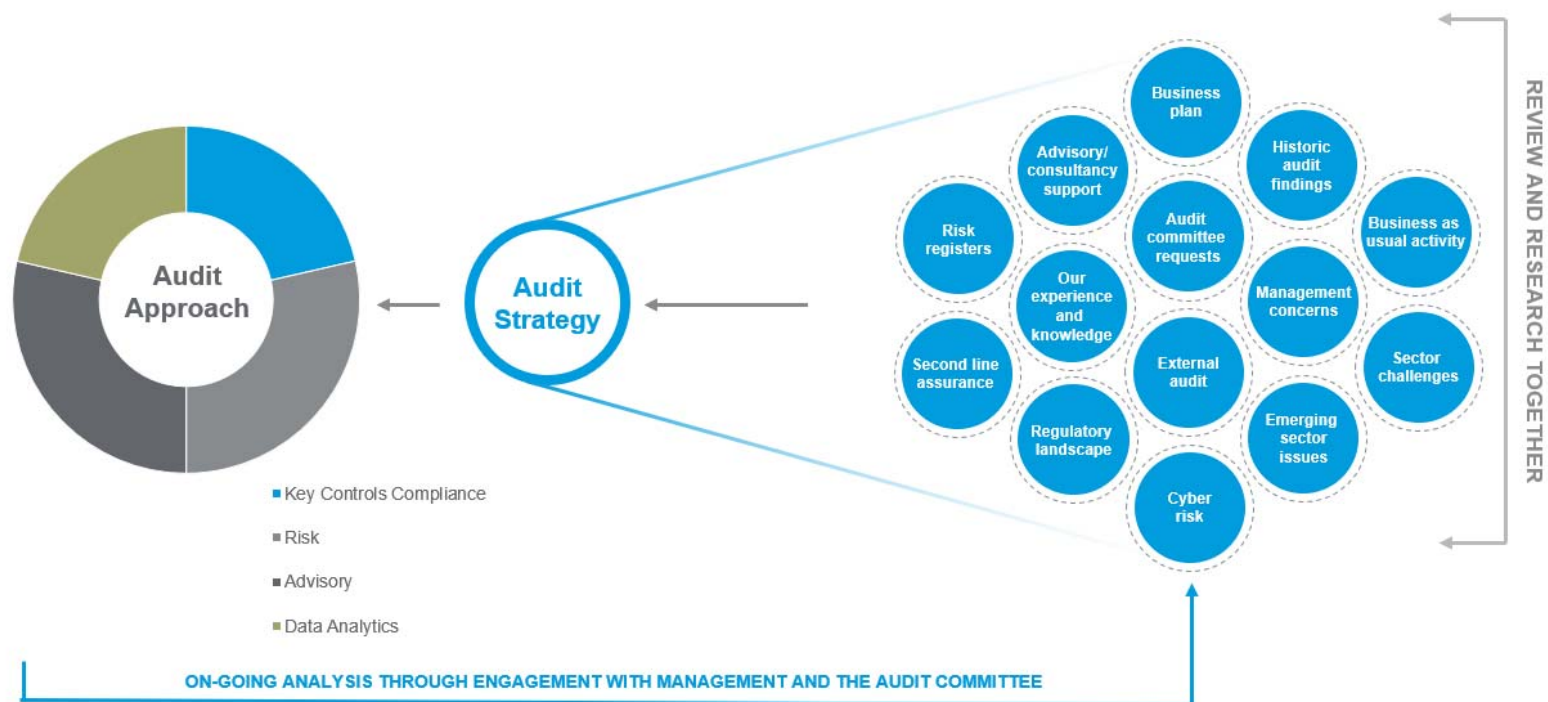
1. YOUR INTERNAL AUDIT PLAN 2019/20

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 the Royal Berkshire Fire Authority in the year ahead, including changes within the sector.

Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers 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 senior management who have indicated a preference to continue to review areas of key concern which are detailed in section 2 which follow a similar theme with prior years.

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 2019/20

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2019/20. The table details the strategic risks / strategic commitments 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 (Strategic risk)	Audit approach	Fee (Days)	Proposed timing	Proposed Audit Committee
Strategic Commitments: We will ensure a swift and appropriate response when called to emergencies				
IT Systems:				
IT is important to ensure the efficient running of the organisation. IT Audit coverage can include coverage of Network Security and Cyber Security and the associated control framework.	Assurance	£7,730	May 2019	July 2019
Emergency Planning & Business Continuity:				
To ensure that the Fire Authority have appropriate Business Continuity Plans in place in the event of major disruption to services to continue to deliver core services to the County.	Assurance	£4,120	June 2019	July 2019
Strategic Commitments: We will seek opportunities to contribute to broader safety, health and wellbeing agenda, whilst delivering our core functions				
Call off audit 1	£4120	Fees and timings of the call off audits will be dependent on the resources required and nature of the audits requested by management and the Audit & Governance Committee. We have included an indicative cost at this stage.		
Call off audit 2	£4120			
Call off audit 3	£4120			
Strategic Commitments: We will ensure that RBFRS provides good value for money				
Financial Planning / Long Term Budgeting:				
A review of the Fire Authorities financial planning and long-term budgeting process in light of a proposed reduction in funding for the FA. Exact scope to be agreed with management.	Assurance	£4,120	April 2019	July 2019
Key Financial Controls:				
In prior years, RSM has conducted a high-level review across a number of areas, it is proposed that going forward a deep dive of these areas will be undertaken on a cyclical basis.	Assurance	£4,944	October 2019	November 2019
<ul style="list-style-type: none"> General ledger; 				

Objective of the review (Strategic risk)	Audit approach	Fee (Days)	Proposed timing	Proposed Audit Committee
<ul style="list-style-type: none"> Cash, bank and treasury management; Payroll; Payments and creditors; Income and debtors; and Asset management 				
<p>Firefighter Pension Administration: A review of the Fire Authorities pension provider 'West Yorkshire Pension Fund', to provide assurance that WYPF have adequate processes and controls in place to process Firefighter pensions.</p>	Assurance	£4,120	January 2020	March 2020
<p>Dataplan: A review of the Fire Authorities payroll provider 'Dataplan', to provide assurance that Dataplan have adequate processes and controls in place to process the payroll.</p>	Assurance	£4.120	June 2019	July 2019
Core Assurance				
<p>Risk Management & Governance: In order to comply with public sector internal audit standards, and to facilitate RSM's annual Head of Internal Audit opinion on risk management and governance, RSM could undertake the following:</p>				
Risk Management:				
<ul style="list-style-type: none"> Deep dive on a sample of risks to challenge controls, assessments, assurances and actions recorded within the risk register to ensure that reflect operating practice. Follow up of prior year actions 	Assurance	£3,708	May 2019	July 2019
Governance:				
<ul style="list-style-type: none"> Business / Strategic Planning Key Performance Indicators Performance Management Partnerships 				

Objective of the review (Strategic risk)	Audit approach	Fee (Days)	Proposed timing	Proposed Audit Committee	
Other Internal Audit Activity					
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management where similar reviews take place.	N/a	The fees and timings will be included within the internal audit reviews noted above.		
Management	<p>This will include:</p> <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 • Preparation of the annual opinion 	N/a	£4,120	N/a	N/a
		Total	£49,342		

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 Audit and Governance 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.

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 Tim Lo as your client manager.

Fees

Our fee to deliver the plan is £49,342 (excluding VAT), fees for any potential call off audits have been estimated and will be confirmed with management (and approved by the Committee) dependent on the level of resource required to deliver the audit.

Core team

The delivery of the 2019/20 audit plan will be based around a core team with specialist input from Technology Risk Assurance specialists delivering the IT audit. Other additional specialist skills will also be utilised 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 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.

Conflicts of interest

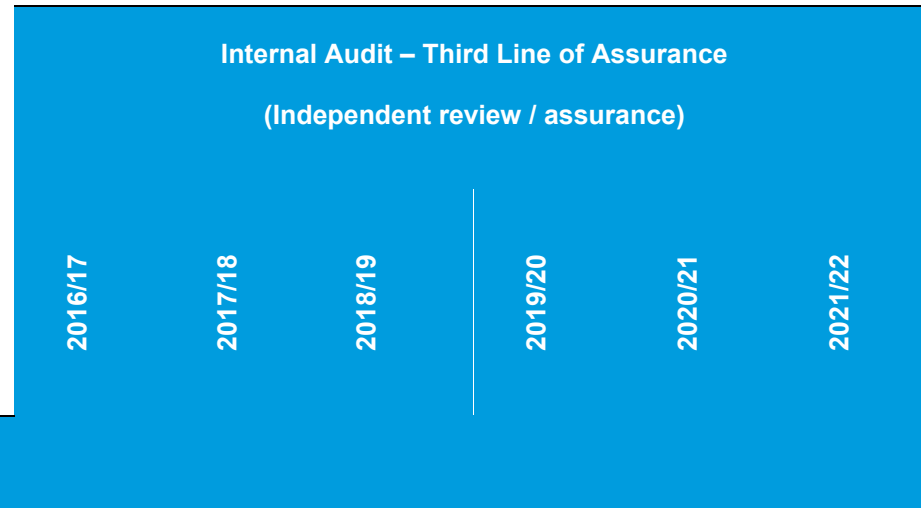
We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

APPENDIX B: INTERNAL AUDIT STRATEGY 2019/20 – 2021/22

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		Internal Audit – Third Line of Assurance (Independent review / assurance)					
Audit Area	BAF / Risk Ref	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Strategic Commitments: We will provide education and advice on how to prevent fires and other emergencies							
Cyber Security					✓		
Integrated Risk Management Plan (IRMP) Consultation			Green				
IT General Controls			Amber/green				
HMICFRS Inspection						✓	
Emergency Planning and Business Continuity					✓		
Strategic Commitments: We will ensure a swift and appropriate response when called to emergencies							
Emergency Services Mobile Communications Project			Amber/green				
Vehicle Disposals					Green		
Ariwave / Emergency Services Network							✓

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



Audit Area

BAF /
Risk Ref

Fleet / Transport Management

Strategic Commitments: We will provide advice, consultation and enforcement in relation to fire safety standards in buildings

Facilities Management

Capital Investment Strategy

Strategic Commitments: We will seek opportunities to contribute to broader safety, health and wellbeing agenda, whilst delivering our core functions

HR – Recruitment

Sickness Absence Management

Performance Management

Vetting

Strategic Commitments: We will ensure that RBFRS provides good value for money

Key Financial Controls

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)						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22

Audit Area	BAF / Risk Ref	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Fire Fighter Pension Administration					✓	✓	✓
Payroll Provider – Dataplan					✓	✓	✓
Procurement							
Timesheet and Timekeeping							
Financial Planning / Long Term Budgeting					✓		
Value for Money						✓	
Core Assurance							
Risk Management & Governance					✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Royal Berkshire 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 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. 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 chief executive, with further reporting lines to the Head of Finance and Procurement.

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 Royal Berkshire 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 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.

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 - who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.

- Board of governors - 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 audit committee).

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 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.

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 audit committee.

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.

FOR FURTHER INFORMATION

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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 Royal Berkshire Fire 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.

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