



**DORSET & WILTSHIRE
FIRE AND RESCUE**



Item 20/06 Appendices A and B

Dorset & Wiltshire Fire and Rescue Service

Internal Audit Plan 2020-21 and Internal Audit Charter

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

The Internal Audit Strategy

The internal audit plan at Appendix A represents a summary of the proposed audit coverage to be delivered by SWAP Internal Audit Services for the financial year 2020-21.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

● Introduction and Objective of the Internal Audit Strategy

Internal audit provides an independent and objective opinion on the organisation's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes. The Annual Plan sits within a wider four-year internal audit strategy, that is kept under ongoing review.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the organisation in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the organisation's Annual Governance Statement.

It is the responsibility of the Strategic Leadership Team (SLT), and the Finance & Audit Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed internal audit plan (as set out in Appendix A), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the Dorset & Wiltshire Fire and Rescue Service's (the Service) key risks as they are recognised by SLT and Finance & Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the Service's risk profile effectively?

The Internal Audit Strategy

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

Approach to Internal Audit Planning

The factors considered in putting together the 2020-21 internal audit plan have been set out below:



We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and controls. Our 2020-21 audit plan is therefore flexible to respond to new and emerging risks as and when they are identified.

The Internal Audit Strategy

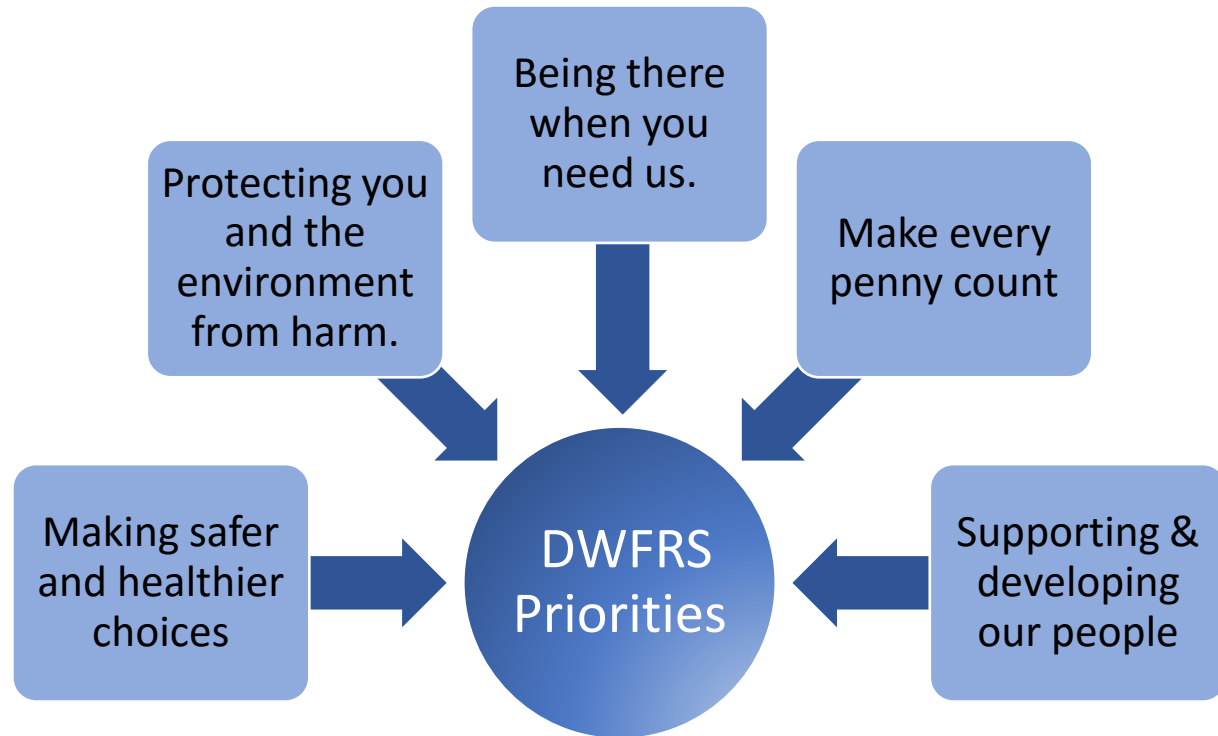
A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

As above, it is the responsibility of the Service's SLT, and the Finance & Audit Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.

Internal Audit Coverage 2020-21

The 2020-21 internal audit programme of work is based on a documented risk assessment, which is subject to review by SWAP at least annually, as part of the planning process. The input of SLT as well as a review of the Service's risk register will be considered in this process. This year's plan forms part of the Service's overarching four-year internal audit strategy.

Below we have set out a summary of the internal audit coverage in relation to the Strategic Priorities for the Service:



The Internal Audit Strategy

Following our SWAP Risk Assessment above, we have set out how the proposed 2020-21 plan presented in Appendix A provides coverage of the Service's key corporate outcomes, as well as coverage of the eight themes of a 'Healthy Organisation'.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.

Internal Audit Coverage in 2020-21 continued

Following our SWAP risk assessment, we have also set out below the extent to which the proposed plan presented in Appendix A provides coverage of the eight themes of a 'Healthy Organisation'.



Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Strategy

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 26 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated

Your Internal Audit Service

Audit Resources

The 2020-21 internal audit programme of work will be equivalent to 70 days. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service are:

Laura Wicks, Assistant Director – laura.wicks@swapaudit.co.uk, 01935 848 540

David Warren, Senior Auditor – david.warren@swapaudit.co.uk, 01935 848 540

Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in March 2016 which confirmed conformance with the Public Sector Internal Audit Standards. At the time of writing, SWAP was in the process of being subject to the subsequent review.

Conflicts of Interest

We are not aware of any conflicts of interest within the Service that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our Institute of Internal Auditors Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with

The Internal Audit Strategy

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Regular newsletters and bulletins containing emerging issues and risks
- Communication of fraud alerts received both regionally and nationally
- Annual Member information sessions
- Benchmarking and sharing of best-practice between our public-sector Partners

management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Our Reporting

A summary of internal audit activity will be reported quarterly to SLT and the Finance & Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Members. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to SLT and the Finance & Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

| Performance Measure | Performance Target |
|---|--------------------|
| <u>Delivery of Annual Internal Audit Plan</u> Completed at year end | >95% |
| <u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i> | >95% |

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

| Area to be audited | Proposed Audit Scope/Notes | Eight Themes of a healthy organisation | Linked to | 2020-21 Timing |
|---------------------------------|---|---|---|----------------|
| Malpractice Management Controls | Proposed scope: Are there appropriate systems and measures in place to monitor Service Codes of Conduct, Complaints; Whistleblowing; Anti Bribery and Bullying and Harassment and are these fit for purpose and suitably managed? | Performance Management Information Management People & Asset Management Corporate Governance | HMICFRS People Pillar Priority 5 | Q1 |
| Critical Supplier Management | Proposed scope: Does the Service have a clear understanding of its key suppliers and does it understand the impacts of critical supplier failure? | Commissioning & Procurement Financial Management | HMICFRS Efficiency Pillar Priority 4 | Q1 |
| Asset Management Strategy | Proposed scope: Does the Service have a clear Asset Management Framework in place which is costed and linked to the corporate objectives? | People & Asset Management Financial Management Performance Management | Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4 | Q1 |
| Financial Resilience | Proposed scope: Does the Service have adequate financial resilience, reserves and a plan for their utilisation supported by a robust annual Statement of Accounts? | Financial Management Performance Management | Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4 | Q2 |

| | | | | |
|---|---|--|--|----|
| Information security | Proposed scope: Does the Service have regular checks and controls in place to ensure cyber security and compliance to any legislative or third-party requirements? Are all security incidents recorded along with lessons learnt and compensating controls introduced to reduce the likelihood of the incident happening again? | Information Management Risk Management | Strategic Risk 301 HMICFRS Efficiency Pillar Priority 4 | Q2 |
| Health and Wellbeing & fitness | Proposed scope: Does the Service have robust measures in place to support the Health, wellbeing and fitness of its staff? | People & Asset Management | HMICFRS People Pillar Priority 5 | Q2 |
| Treasury Management | Proposed scope: Does the Service have a prudent and appropriate Treasury Management Strategy that successfully manages the Service's liquidity, borrowing and cashflow? | Financial Management | Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4 | Q3 |
| IT Asset Management | Proposed scope: Does the Service have an ICT Asset Management Plan and ICT Asset Register that is up to date and lists all software & hardware assets in use at the organisation? | People & Asset Management Information Management | Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4 | Q3 |
| Project Management Framework (including business cases) | Proposed scope: Does the Service have robust project management and governance arrangements in place and are they operating as intended. | Performance Management Corporate Governance Programme & Project Management | Strategic Risk 0006 HMICFRS Efficiency Pillar Priority 4 | Q4 |

| | | | | |
|--------------------|--|---|---|------------------------|
| People Development | Proposed scope: Can the Service demonstrate a commitment to the development of staff and are personal performance management arrangements effectively in place? To review the engagement work that was undertaken in developing the new system | People & Asset Management Performance Management | HMICFRS People Pillar Priority 5 | Q4 |
| Follow Ups | A review of the recommendations previously raised will be completed with ongoing reviews annually. | All | All | Throughout Year |

The Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within the Service and to outline the scope of internal audit work.

Approval

This Charter was taken to the Finance & Audit Committee on 5th March 2020 for approval and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Finance & Audit Committee on 7th March 2019.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the contract, which forms part of the legal agreement between the SWAP and the Service.

The budget for the provision of the internal audit service is proposed by the Service and approved by the Dorset & Wiltshire Fire and Rescue Authority (the Authority).

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation’s operations. It helps the Authority accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management and of Internal Audit

Management¹

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the organisation;
- direct access and freedom to report to SLT and to the Finance & Audit Committee; and
- notification of suspected or detected fraud, corruption or impropriety.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Service. Management is also responsible for the appropriate and effective management of risk.

¹ In this instance Management refers to the Strategic Leadership Team (SLT)

Finance & Audit Committee²

The Finance & Audit Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director, as Head of Internal Audit, is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work.

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation and will be cognisant of the work of other audit processes, such as BSI, HMICFRS, RIPA and LGA.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP and the Assistant Director report to the Head of Strategic Planning & Corporate Assurance and report to the Finance & Audit Committee as set out below.

The Assistant Director will be the first and primary point of contact for the organisation for all matters relating to the Finance & Audit Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of Dorset & Wiltshire Fire and Rescue Authority.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the Service.

² In this instance **Finance & Audit Committee** relates to "The Board" referred to in the PSIAS.

Internal audit work will normally include, but is not restricted to:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- Appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- Assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- Reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Service is in compliance;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- Appraising the economy, efficiency and effectiveness with which resources are employed;
- Reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- Reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values, investigating where necessary;
- At the specific request of management, internal audit may provide consultancy services provided:
 - The internal auditor's independence is not compromised;
 - The internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay;
 - The scope of the consultancy assignment is clearly defined, and management have made proper provision for resources for the work;
 - Management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Finance & Audit Committee, for approval in March, an annual internal audit plan, agreed with the Head of Strategic Planning & Corporate Assurance, that will set out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis, with the Head of Strategic Planning & Corporate Assurance, to ensure it remains adequately resourced, is current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result, which will be agreed by SLT.

SWAP will report at least four times a year to the Finance & Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Finance & Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Head Strategic Planning & Corporate Assurance and approved by the appropriate Director and SLT.

The Head of Strategic Planning & Corporate Assurance will review and assure against the development of audit recommendations and will provide a quarterly report to the Finance & Audit Committee on the progress of these recommendations.

The Assistant Director will submit an annual report to the Finance & Audit Committee in July providing an overall opinion of the status of risk and internal control within the organisation, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the Assistant Director have the unreserved right to report directly to the Chair of the Finance & Audit Committee, the Chief Fire Officer or the External Audit Manager.

January 2020