

For Publication

Bedfordshire Fire and Rescue Authority
Audit and Standards Committee
12 January 2023

REPORT AUTHOR: HEAD OF STRATEGIC SUPPORT AND ASSURANCE
SUBJECT: REVIEW OF THE EFFECTIVENESS OF THE FIRE AND RESCUE AUTHORITY'S INTERNAL AUDITORS

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Background Papers: None

Implications (tick ✓):

LEGAL			FINANCIAL	
HUMAN RESOURCES			EQUALITY IMPACT	
ENVIRONMENTAL			POLICY	✓
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New			

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To consider the effectiveness of the Fire and Rescue Authority's Internal Audit arrangements.

RECOMMENDATIONS:

For the Audit and Standards Committee to note the report.

1. Introduction

- 1.1 The mandatory requirement for an internal audit function for local authorities is within section 151 of the Local Government Act 1972 and, for the Fire and Rescue Service, authority is delegated to the Assistant Chief Officer to fulfil this function.
- 1.2 The definition of Internal Audit, as per the Public Sector Internal Audit Standards (PSIAS) is as follows:
“Internal Audit is an independent, objective assurance and consulting function that is designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating, reporting on and recommending improvements where necessary to secure effective risk management, control and governance processes.”
- 1.3 Internal Audit is one of the means by which the Service assesses the adequacy and effectiveness of its governance and risk management arrangements, ensuring that an effective internal control system is in place. It is a key source of independent assurance to management and Members.
- 1.4 The Accounts and Audit Regulations 2018 require that *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards and demonstrate conformance”*.
- 1.5 For 2022/23 the review of effectiveness of internal audit has been informed by a review of progress against the Internal Audit plan and ongoing monitoring of the performance of the internal audit activities.
- 1.6 In our review of the effectiveness of Internal Audit we:
 - a) confirm that Internal Audit comply with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. This gives us assurance that their work is to a standard that we can rely on to inform our conclusions.
 - b) review whether IA is effective as a management control, as part of our control environment assessment.
 - c) review, and seek to place reliance on, specific pieces of IA work, where that work covers areas relevant to our Code of Practice objectives.

2. Background

- 2.1 In April 2021 the contract for RSM was due to expire. Following discussions with Essex (EFRS) and Cambridgeshire Fire and Rescue Services (CFRS), it was agreed that Cambridgeshire would again lead on the tendering process for the provision of internal audit services as this provided an opportunity for collaboration and comparison of audited areas were commonality. The evaluation panel included representatives from all three authorities.
- 2.2 This process commenced in December 2020 with bids to be returned by 8 February 2021. RSM were subsequently appointed from 29 April 2021 for 3 years, with the option to extend for a further 2 x 12-month periods.
- 2.3 RSM meet with all of the authorities collectively a minimum of once per year to discuss contract management, quality, delivery and thematic reviews etc.

3. Conformance with Internal Auditing Standards

- 3.1 RSM affirms that their 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. RSM's risk assurance service line commissioned an external independent review of internal audit services in 2021 to provide assurance of whether their approach meets the requirements of the International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice, as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA, on which PSIAS is based. The next formal review will be due in 2026.
- 3.2 The external review concluded that RSM 'generally conforms'¹ to the requirements of the IIA Standards' and that RSM also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards.
- 3.3 RSM provide the Service with an Internal Audit Charter every year and it forms part of the Internal Audit Strategy and is a requirement of the Public Sector Internal Audit Standards. This can be found as part of the Internal Audit Strategy.

¹ The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

3.4 RSMs risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of its internal audit services. Resulting from the programme, there are no areas which RSM believe warrant flagging to the Authority's attention as impacting on the quality of the service they provide to us.

3.5 The additional benefit of the internal audit provision sitting outside the Authority and the audits not conducted by Service personnel, is that it provides for greater external independence and other control mechanisms, including impartiality.

4. Developing the Internal Audit Strategy

4.1 The CIPFA code indicates that the Head of Internal Audit must produce an audit strategy which sets out at a high-level how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities.

4.2 RSM, in conjunction with the Corporate Management Team, develops the Authority's 3-year Audit Strategy based on the Service's corporate objectives, risk profile and assurance framework, as well as other factors affecting the Authority in the year ahead, including changes within the Sector.

4.3 The strategy should communicate the contribution that Internal Audit makes to the organisation and should include:

- Internal Audit objectives and outcomes;
- how the Head of Internal Audit will form and evidence their opinion on the control environment;
- how Internal Audit's work will identify and address significant issues and risks;
- how the service will be provided, ie internally, externally, or a mix of the two; and
- the resources and skills required to deliver the strategy.

4.4 Risk Management, Governance and Key Financial Controls are audited annually. These audits are necessary in order for the Head of Audit to produce the year-end audit opinion.

4.5 The audit strategy shows how the plan links to the Authorities strategic risk and the reason for its inclusion. The strategy is reviewed annually and presented to the Audit and Standards Committee for ratification. A well-developed strategy helps the

Internal Audit function produce a plan which is clearly tailored to address key risks, and links addressing the risks to resources.

4.6 It is one of the roles of the Section 151 Officer, to ensure that there are adequate and effective Internal Audit arrangements in place.

5. Audit and Standards Committee

5.1 RSM attend all Audit and Standards Committee meetings where members can review the Audit Strategy, Progress and Annual reports. This provides the Authority the opportunity to ask questions, challenge reports and request clarification to provide greater transparency.

5.2 The Audit & Standards Committee continued its role in considering findings and issues arising from audit reports thereby supporting an effective system of internal audit. The Audit Committee are scheduled to meet quarterly and to date have considered reports from the audit service and the responses from management as part of an assessment of progress and assurance. In 2021/22 this resulted in a number of specific reports being presented to Audit Committee from management and Directors on key areas of risk including Data Quality to support the Community Risk Management Plan, Management of Assets and Human Resources – Grey Book Recruitment.

5.3 In order to strengthen the Scrutiny function provided by our Audit & Standards Committee we are in the process of commissioning Member Development days to offer external training in what it means to be an effective Audit Committee.

5.4 The process for monitoring implementation of recommendations includes the regular reporting on implementation status to CMT and to the Audit Committee. This provides the opportunity for Members to challenge progress and outcomes.

5.5 The performance of the organisation in the consistent and full implementation of Internal Audit recommendations continues to be an area in need of improvement. Increased engagement has taken place including quarterly updates and engagement sessions with CMT and it is hoped that we will see some improvements. Further system improvements are being explored for the follow up process and system automation.

5.6 Both management and the Audit Committee need to monitor this consistently with acceleration and appropriate action for noncompliance to have greater assurance that agreed improvements to internal control are fully implemented within reasonable timescales.

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