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HAMPSHIRE & ISLE OF WIGHT FIRE & RESCUE AUTHORITY
INTERNAL AUDIT STRATEGY AND RISK BASED
INTERNAL AUDIT PLAN 2024-25

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Introduction

This paper provides an overview of our approach to risk assessment and planning and the process to ensure the risk-based internal audit plan is appropriately focused and aligned to organisational needs and objectives.

Background

The role of internal audit is that of an:

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

The Hampshire and Isle of Wight Fire and Rescue Authority are responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Authority that these arrangements are in place and operating effectively.

The Authority's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's strategic and operational objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risks to the achievement of the organisation's objectives are identified, assessed and managed to a defined acceptable level.

The risk based internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

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.

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Public Sector Internal Audit Standards and Charted Institute of Internal Auditors requirements for planning

The Standards require:

'2010 Planning - The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'

Interpretation: - to develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

The Audit Strategy

The Strategy adopted by SIAP is in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) as outlined above, with the risk environment reviewed during the planning process and then on an ongoing basis throughout the year. The approach recognises that the control environment constantly changes, requiring continuous review and re-evaluation to ensure that emerging risks are identified, assessed, and included as appropriate in the audit plan.

Given the unprecedented challenges facing the Public Sector, this means that the strategy has in-built flexibility to consider:

- Greatest risks to the achievement of the organisation's objectives.

- New areas of activity.

- Issues of local significance and importance.

- Changing issues and priorities.

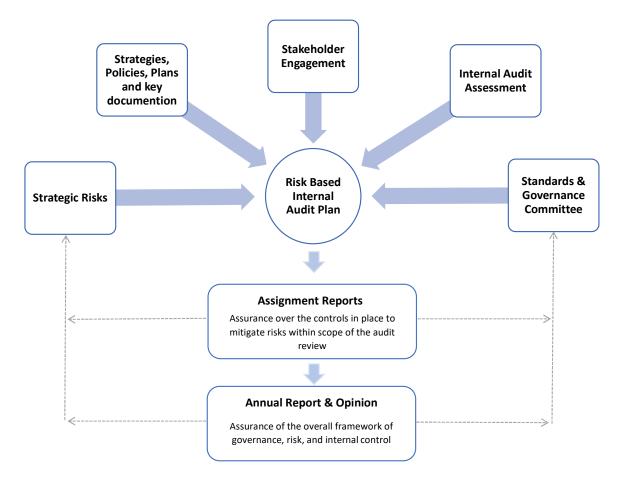- Changes to models for service delivery and partnership working; and

- The impact of changes on existing control structures.

The approach taken by SIAP to review risk and produce the risk-based plan is explained in detail below. The key aims are:

- To gain an understanding of the organisation's assurance needs to enable SIAP to provide an overall opinion each year on the organisation's risk management, control and governance framework to the Hampshire and Isle of Wight Fire and Rescue Service and Authority, to support the Annual Governance Statement.   This includes taking into account our own external horizon scanning and insights from other clients across the partnership.

- To produce an annual internal audit plan to review the organisation's risk management, control and governance systems through an approach which assesses risks to the organisations' objectives and prioritises internal audits accordingly.

- The identification of internal audit resources required to deliver a service which meets the PSIAS and achieves the necessary level of audit coverage to enable an opinion to be given on the organisation's control environment.

- The identification of other sources of assurance from other assurance providers which can be relied upon to inform the focus of internal audit activity.

- Co-operation with the external auditors and any other relevant review bodies to ensure that assurance functions work effectively together.

- Identification of responsibilities for providing assurance where services are delivered in partnership.

By focussing on the higher risk areas, internal audit can provide independent, objective assurance and consulting activity designed to add value and support ongoing developments and achievement of the organisation's objectives. The HIWFRS have a clear framework and approach to risk management and the strategic risks assessed by the organisation are a key focus of our planning for the year to ensure the internal audit plan meets the organisation's assurance needs. This approach to identifying current risk was explored and challenged during the Service's Planning Board in December 2023, which we attended.

The approach taken to producing the risk-based internal audit plan each year is outlined below, based on a range of inputs as illustrated in the following diagram.

HIWFRA Safety Plan 2020 – 2025

The core functions of UK fire and rescue services are to make provision for the purpose of promoting fire safety in their area, protect buildings and the people in them, responding to fires, rescuing people in road traffic collisions (RTC) and attending other emergencies.

The HIWFRA Safety Plan sets out a five-year strategy to ensure the Service consistently provides a service to the local communities to achieve this with the overriding purpose 'Together We Make Life Safer.'

In the Safety Plan, the Service recognises that it must continue to evolve as an organisation to meet the new risks and challenges faced, and by focussing on the higher risk areas, internal audit can provide independent, objective assurance and consulting activity designed to add value and support the ongoing developments and improvement.

HIWFRA has a clear framework and approach to risk management. The strategic risks assessed by the organisation are a key focus of our planning for the year to ensure the internal audit plan meets the organisation's assurance needs and contributes to the achievement of objectives. We will monitor the Service's Risk Register developments closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

Audit Universe

The audit universe comprises of individual auditable areas that have been identified across the organisation that may be subject to internal audit activity (recognising that this may not be an exhaustive list). This, together with organisational risks registers and discussions with management provides the basis for determining the risk based internal audit plan in line with the PSIAS.

Whilst the retention and maintenance of an audit universe is not a requirement of the Standards, it does help provide clarity and demonstrate effective internal audit coverage, as well as a degree of rigour and transparency around areas not being audited, helping inform and support decisions over internal audit resourcing requirements.

SIAP use cumulative sector knowledge to construct the audit universe to cover all relevant aspects of the organisation and SIAP continuously review the audit universe to capture any new or emerging risks, organisational changes or factors impacting our risk assessment that may necessitate an internal audit focus.

Risk assessment

This risk assessment process will culminate in a risk rating being assigned to each area of the universe as outlined below and this will be updated or reviewed on a regular basis (at least annually) to reflect changes identified. Significant changes in the business environment may also require re-assessment of risks that the organisation is exposed to. The risk rating is based on the Audit Manager / Chief Internal Auditor judgement following review of the information obtained during the planning process.

Low

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Medium

High

In assessing the risk rating, the Audit Manager and Chief Internal Auditor will consider a number of factors including:

- Legislation / Regulation.
- Management concern.
- Corporate and departmental risks.
- Sector knowledge e.g., national or local issues and emerging risks.
- Inherent risk.
- Significant changes to systems, processes, or key personnel.
- Previous internal audit assurance work (including any outstanding actions).
- Susceptibility to fraud.
- Reliance on third parties involved in a process or control, and whether assurance is available to support this involvement.
- Other sources of assurance that are available.

Risk registers are also reviewed, and discussions are held with key managers across the organisation to inform the risk assessment by exploring the following:

- Key high and medium risks to achieving the strategic objectives of the organisation.
- Business as usual risks where systems or processes are key to achieving strategic objectives.
- Any new or emerging risks that need to be considered and their potential impact on the organisation's ability to meet strategic objectives.
- The impact of any significant changes to structure, key staff, systems etc.
- Other sources of independent assurance that confirm that processes and controls are working effectively and that can be relied upon rather than duplicating work.eg HMICFRS.

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Risk-based audit plan

The risk-based plan is prepared based on the information gathered throughout the risk assessment process, including consideration of the date of last internal audit review and outcome, and discussions with management about best timing for reviews to ensure they add value. Therefore, not all medium to high risks will be included in the risk-based plan every year. Given the level of internal audit resources available, internal audit work must be prioritised and focused to ensure efficient and effective use of resources, directed at those areas of most significant risk to the organisation. Areas assessed as low risk will not generally be included in the risk-based internal audit plan. However, there may be regulatory expectations or requirements to undertake specific audit work. These topics would typically be included in the audit plan regardless of the results of the risk assessment.

The overall output is a prioritised list of audits for the next planning period.

The summarised risk-based internal audit plan is discussed with business stakeholders with the purpose of obtaining their feedback and providing a check as to its alignment with management's view of major risks to achieving strategic objectives. While the final approval of the plan lies with those charged with governance, SIAP will ensure that management's views are understood and any differences in viewpoints as to priorities are clearly explained. The proposed risk-based audit plan is then presented to the Standards and Governance Committee for review, comment and approval.

The risk-based internal audit plan is reviewed throughout the course of the year through discussions with management and review of risk registers to ensure it continues to reflect the organisational risk profile and will be adjusted to accommodate new and emerging risks and the changing needs of the organisation. Any changes will be discussed with management and reported to the Standards and Governance Committees for consideration and comment through the regular progress reports. Engagement with key stakeholders is achieved through our monthly liaison meetings with management and engagement with external audit at key points in the year. We also attend all Standards and Governance Committees and meet privately with the Chairman on a regular basis.

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Resources

The Internal Audit Charter provides commentary regarding the adequacy of resources to meet organisational need:

'The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Finance Director will provide the Chief Internal Auditor with the resources necessary to fulfil the HIWFRA's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.'

Where the risk-based plan identifies that more coverage is required than the contract allows, and where agreement cannot be reached for an increase in resources, the impact on the plan and SIAP's ability to provide an internal audit opinion will be clearly documented at the planning stage. This is also outlined in the internal audit charter as follows:

'Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to senior management, the Board.

If the Chief Internal Auditor, the Board or Senior Management consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Finance Director accordingly.'

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HIWFRA – key areas and themes for consideration within the audit strategy for future year plans

As part of the planning process, we review both the local and national risk environments affecting HIWFRA. We do this through discussions with management (including outcomes of inspections etc), knowledge of working with other Fire Services, review of national news etc.

Key themes for ongoing or future consideration in planning discussions are as follows.

Shared Services

Services provided under the shared service arrangements with Hampshire County Council, Hampshire and Isle of Wight Constabulary and the Police and Crime Commissioner for Hampshire and the Isle of Wight continue to be reviewed via a joint internal audit plan that provides assurance to all parties to avoid duplication of effort, however changes to this approach took effect from 2019/20 for some areas as outlined below. All four organisations contribute audit days to this plan. An internal audit protocol for this work has been agreed with partner and shared services management.

The results of this work are reported to all four partners in accordance with agreed reporting protocols and contribute to their annual internal audit opinions. Plans are developed jointly following the processes outlined above.

For services provided by the Integrated Business Centre, assurance is primarily provided by Ernst and Young in accordance with the International Standard on Assurance Engagements No. 3402 (see below), however, SIAP will continue to provide assurance to the HIWFRA and partner organisations for those systems and process outside of the scope of the ISAE 3402 through the shared internal audit plan. At the time of writing this report, the shared services internal audit plan is still being developed and will be reported through regular progress reports to the Standards and Governance Committee in due course.

Following a review of the shared services arrangements, a number of phased changes are taking place over 2023 and 2024. The impact of the changes has been considered during the planning process and will continue to be re-assessed to ensure that assurance needs continue to be met going forwards as the changes embed.

Shared Services - International Standard on Assurance Engagements No. 3402

ISAE 3402 has been developed to provide an international assurance standard for allowing public bodies to issue a report for use by user organisations and their auditors (user auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting.

The Integrated Business Centre (IBC) is a shared service function hosted by Hampshire County Council, delivering transactional processing and business support services to a growing number of public sector bodies. Such services include general ledger; Order to Cash; Purchase and Payables; Cash & Bank; Payroll; and Information Systems.

Due to the significance of the business processes provided on behalf of partner organisations it is appropriate for Hampshire County Council to provide assurance on its service through compliance with such international standard requirements. Assurance against the international standard is now provided by Ernst & Young.

IT

IT continues to be inherently high risk in nature, and due to the reliance of the organisation on IT to deliver services, this will continue to be an area of focus for the risk-based plan and will be informed going forward through an assessment against ITIL practices which includes a review of current risks recorded in risk registers, previous audit coverage, other sources of assurance and knowledge of the general IT risk environment. ITIL is the most adopted and recognised body of knowledge for IT Service Management (ITSM). It is a best practice framework that gives guidance on how ITSM can be delivered. This approach aims to provide a structured approach to identifying IT audit areas based on an established framework to assess all possible areas of the IT service which could be audited. An initial mapping exercise against the ITIL practices was carried out by SIAP during 2023-24 to inform the IT strategy and internal plans going forward and as such will be reviewed annually.

National and Local Issues

Incidents and issues directly affecting other Fire and Rescue Services impact on the sector generally. Discussions will therefore continue around audit needs arising from such national issues, whether arising from specific incidents or HMICFRS thematic inspections.

Over the last few years significant effort has been made to extend the risk-based planning process and universe across all areas of HIWFRS and this will continue through our discussions with key strategic managers.

Environment / Climate

To date, we have done minimal work in this area. The need for more targeted reviews of the strategies in place across HIWFRS will be discussed in subsequent planning discussions.

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Finance and resources

Both finance and staffing resources continue to feature in risk registers across the public sector due to the economic climate, funding arrangements and the resulting need for savings programmes; as well as the impacts of difficulties in attracting and retaining staff in the public sector in the current, competitive labour market. Funding is recognised as an increasing risk for the Fire and Rescue Authority and audit needs arising from this will continue to be reviewed each year.

HIWFRA Internal Audit Risk Based Plan 2024-25

Audit	Risk / Scope	Strategic / Service Risk (Surrey and Sussex)	Previous IA Coverage	Risk Assessment	2024-25 Indicative days	Qtr
NFI	To facilitate participation in the statutory National Fraud Initiative, data matching exercise.		Annual	N/A	6	Q3-4
Complaints Management	To review the system in place to ensure that complaints are dealt with efficiently in line with agreed policy and procedures, with effective reporting in place to identify and facilitate action on common themes and learning identified.	ORG0041		Medium	12	Q4
Crewing Systems	To review the controls in place to ensure that agreed crewing shift systems are operating effectively. 2024-25 scope to be confirmed.	ORG0044		High	15	Q1
DBS Checks	This audit will review the new internal management and procedures in place to ensure compliance with Disclosure and Barring Service (DBS) requirements, and that the necessary DBS checks have been carried out where appropriate in line with legislative changes in 2023.	ORG0041	2021-22 Limited	High	12	Q3

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Audit	Risk / Scope	Strategic / Service Risk (Surrey and Sussex)	Previous IA Coverage	Risk Assessment	2024-25 Indicative days	Qtr
Health and Safety - Investigations	To review the governance and controls in place to ensure that incidents, including both general and vehicle related incidents, are robustly investigated, reported and learning is shared and reflected in processes and training as appropriate.	ORG0017 ORG0024		High	20	Q2
Cyber Security Controls	Assurance over a technical aspect of cyber security. Examples could be (not exhaustive) vulnerability management and remediation, patch management, monitoring and alerting for security events. 2024-25 scope will review vulnerability management and remediation.	ORG0015 Various ICT risks	See above	High	12	Q3
Data Storage and Backup	Assurance over the controls in place to ensure data storage and backup meets the needs of the service and mitigates the risks of data loss. Including ransomware protection measures.	ORG0015 ICT0040 ICT0011		High	12	Q1
Premises Risk	To review the revised policy and procedures and controls in place regarding premises risk assessment following issues raised by HMICFRS.	ORG0024		High	15	Q1
National Operational Guidance - Training	To provide assurance that the National Operational Guidance has been embedded into the Service's training packages to promote compliance with best practice.	ORG0017 ORG0024		High	12	Q2
Business Continuity	To review action taken since the last internal audit review and HMICFRS inspection, to ensure that effective plans are place to ensure that operations can effectively continue should an incident occur. Scope to be agreed, to include testing and exercising the plan, incident recording and lessons learned.			High	12	TBC

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Audit	Risk / Scope	Strategic / Service Risk (Surrey and Sussex)	Previous IA Coverage	Risk Assessment	2024-25 Indicative days	Qtr
Operational Learning – Incidents and Exercises	To review the controls in place to ensure that learning from operational incidents and exercises is captured, reported and actioned as needed.	ORG0024		High	12	Q3
Other Audit Activities	This includes preparation of the audit plan, annual internal audit report, advice and attending management and committee meetings.		Annual		20	
Follow Up	To assess progress in implementing management actions for reviews carried out during previous year		Annual		8	Q4
Contribution to Shared Services Plan			Annual		To be confirmed - 15	
Total Days					183	
Average days per year 185 days						

Other areas for consideration:

In addition to the prioritised areas above, a number of other areas were identified for potential review in either 2024-2025; or 2025-26 when ongoing changes have fully embedded across the Service. The following are areas for further consideration in 2024-25, should the planned reviews be reassessed and removed from the plan during the year:

- Power Platform Development
- Watch Manager and Crew Manager Promotion Process - to review the policy, procedures and controls in place to ensure that the promotion process is fair and transparent.

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- Competencies – to review the progress made in recording and monitoring competencies in Gartan.
- Performance Development Reviews – to review the policy and procedures in place and compliance across the Service, following implementation of new procedures.
- Data Quality – to review the policy and procedures in place to ensure that data recorded in CFRMIS and Tranman is complete, timely and accurate.

Shared Services Risk Based Plan 2024-25

The Shared Services aspects of the Internal Audit Plan are yet to be confirmed and are agreed separately through Shared Services governance mechanisms. Progress against the audit plan, including the Shared Services aspects of the plan, will, however, be provided through the regular progress updates to the Standards and Governance Committee.