

Scottish Fire & Rescue Service

Internal Audit Charter

March 2020

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Internal Audit Charter

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3

Internal Audit Charter

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the SFRS.

It helps the SFRS to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Aim

The aim of this protocol is to set out the management by both parties of the internal audit process. The protocol sets out and outlines in detail, the context of the internal audit function. This includes the place of the Chief Officer, Audit & Risk Assurance Committee, the key personnel involved, and the timescales and processes to be followed for each internal audit review.

This Charter is in line with the best practice guidance set out by the Chartered Institute of Internal Auditors. It has however been developed and enhanced to meet the needs and requirements of the SFRS.

Personnel

The senior staff employed by the respective parties to manage this protocol are as follows:

Scott-Moncrieff

Chief Audit Executive:

Gary Devlin

Exchange Place 3, Semple Street, Edinburgh, EH3 8BL

Tel: 0131 473 3500

Email: gary.devlin@scott-moncrieff.com

Associate Director:

Matt Swann

Exchange Place 3, Semple Street, Edinburgh, EH3 8BL

Tel: 0131 473 3500

Email: matthew.swann@scott-moncrieff.com

SFRS

Director of Finance and Contractual Services:

Sarah O'Donnell

Tel: 0141 646 4613

Email: sarah.o'donnell@firescotland.gov.uk

Risk & Audit Manager

David Johnston

Email: David.Johnston2@firescotland.gov.uk

Role

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

Gary Devlin as the Scott-Moncrieff Partner will take the role as Chief Audit Executive for the SFRS.

Professionalism

The internal audit activity will adhere to mandatory guidance of The Chartered Institute of Internal Auditors (CIIA) including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The CIIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to SFRS's relevant policies and procedures. Internal audit activity will also reflect relevant Scottish Government directions, as relevant to SFRS.

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of SFRS's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its role and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit & Risk Assurance Committee.

Accountability

The Chief Audit Executive will be accountable to the Chief Officer and Audit & Risk Assurance Committee and will report administratively to the Director of Finance and Contractual Services.

The Chief Officer and Audit & Risk Assurance Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive.

The Chief Audit Executive will communicate and interact directly with both the Chief Officer and the Audit & Risk Assurance Committee, including between Audit & Risk Assurance Committee meetings as appropriate.

Independence and objectivity

The internal audit activity will remain free from interference by any element in the Board, including on matters of audit selection, scope, procedures, frequency, timing, or report content. This is essential in maintaining the internal auditors' independence and objectivity.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgement.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and must not be unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the Chief Officer and Audit & Risk Assurance Committee, at least annually, the organisational independence of the internal audit activity.

Scope and responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the SFRS's governance, risk management, and internal control processes. Internal control objectives considered by internal audit include:

- Consistency of operations with established objectives and goals;
- Effectiveness and efficiency of operations and use of resources;
- Compliance with significant policies, plans, procedures, laws, and regulations;
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information; and
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes, of the Board, including governance processes and risk management processes. In doing so, internal audit maintains a proper degree of coordination with external audit.

Internal audit may perform consulting and advisory services related to governance, risk management and control. It may also evaluate specific operations at the request of the Audit & Risk Assurance Committee or management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit & Risk Assurance Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Board.

Annual internal audit plan

The audit year runs from 1st April to 31st March.

The Chief Audit Executive will submit an annual internal audit plan for the forthcoming year to the Audit & Risk Assurance Committee for review and approval. The draft plan will be presented to the Committee in March of each year, unless there are exceptional circumstances. The internal audit plan will detail, for each subject review area:

- The outline scope for the review;
- The number of days budgeted;
- The timing, including which Audit & Risk Assurance Committee the final will report will go to; and
- The Audit Sponsor.

The internal audit plan will be developed using a risk-based methodology, including input of senior management. Prior to submission to the Chief Officer and Audit & Risk Assurance Committee for approval, the plan will be discussed with senior management. In particular, the outline scope and timing of each review will be agreed with the relevant Audit Sponsor (member of senior management).

Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Assignment Planning and Conduct

An assignment plan will be drafted in consultation with the audit sponsor prior to the start of every assignment setting out the scope, objectives, timescales, and key contacts for the assignment.

Specifically, the assignment plan will detail the timescales for carrying out the work, issuing the draft report, receiving management responses and issuing the final report. The assignment plan will also include the number and categories of the staff to be interviewed. Where appropriate, the staff interviewed should include both the providers and the consumers of the process or service being audited.

The assignment plan will be agreed with the Audit Sponsor before the review starts.

The assignment plan will be formally signed off by the Audit Sponsor and copied to the Director of Finance and Contractual Services. Any subsequent amendments to scope must be approved and signed off by the Audit Sponsor and Director of Finance and Contractual Services.

The internal auditor will discuss key issues arising from the audit as soon as reasonably practicable with the Key Contacts and/or Audit Sponsor, as appropriate.

Reporting and Monitoring

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement. Each report will be distributed to the Audit Sponsor for management responses and comments.

At a minimum each internal audit report will include the following sections:

- Audit scope;
- Summary of findings;
- Conclusions; and
- Management action plan.

Draft reports will be issued by email within two weeks of fieldwork concluding. The covering email will specify the deadline for management responses, which will normally be within a further two weeks.

The management comments and response to any report will be overseen by the Director of Finance and Contractual Services and approved by the Audit Sponsor. Internal audit will issue the final report to the Audit Sponsor. The final report will be issued within one week of the management responses being received. Finalised internal audit reports will be presented to the Audit & Risk Assurance Committee.

The timings set out above are typical timescales expected for each review. Alternative timescales may be agreed for a review and these will be set out in the assignment plan.

Follow-up

The internal audit activity will be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared.

Audit & Risk Assurance Committee

The Audit & Risk Assurance Committee meets regularly during the year a year. Dates for Audit & Risk Assurance Committee meetings will be provided to internal audit as soon as they are agreed.

The Chief Audit Executive and / or Internal Audit Associate Director will attend all meetings of the Audit & Risk Assurance Committee.

Internal audit will schedule its work to spread internal audit reports over the Audit & Risk Assurance Committee cycle of meetings. The annual internal audit plan will detail the internal audit reports to be presented to each Audit & Risk Assurance Committee meeting.

Finalised internal audit reports must be sent to the Director of Finance and Contractual Services at least one week before the date of each Audit & Risk Assurance Committee meeting.

The Chief Audit Executive will present specific reports to the Committee throughout its annual cycle. These reports and the expected timescales are as follows¹:

Output	Meeting
Audit needs assessment	March 2020
Annual internal audit plan	March 2020
Annual follow-up report	July 2021
Annual report	July 2021
Status report	All meetings

The Audit & Risk Assurance Committee will meet privately with the internal auditors at least once per year.

Periodic Assessment

The Chief Audit Executive is responsible for providing a periodic self-assessment on the internal audit activity. This self-assessment will cover performance against the internal audit plan and highlight any issues relating to the implementation or compliance with this Internal Audit Charter.

In addition, the Chief Audit Executive will communicate to senior management on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years in accordance with Public Sector Internal Audit Standards.

¹ Timescales are in reference to the year 2020/21.

Review of Protocol

This protocol will be reviewed by both parties each year and amended if appropriate.

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Scottish Fire & Rescue Service

Internal Audit Plan 2020/21

March 2020

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Internal Audit Plan 2020/21

Introduction	1
Internal audit approach	2
Proposed internal audit plan	4
Delivering our audit plans	6
Appendix 1 – Internal Audit Plan 2020/21	9
Appendix 2- Indicative Audit timetable 2020-21	11
Appendix 3: KPIs	12

Introduction

Internal auditing is 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, internal control and governance processes.

Section 3 – Definition of Internal Auditing, Public Sector Internal Audit Standards

Scott-Moncrieff's internal audit methodology complies with the International Standards for the Professional Practice of Internal Auditing, which covers the mandatory elements of the Chartered Institute of Internal Auditors' International Professional Practices Framework.

Internal audit plan

The standards require the Chief Audit Executive to produce a risk-based plan, which considers the risk management framework and the strategic objectives of the Scottish Fire & Rescue Service ('SFRS') and the views of the Chief Officer, Audit & Risk Assurance Committee and Strategic Leadership Team.

The purpose of this plan is to direct internal audit resources in the most efficient manner to provide assurance to the Chief Officer and the Audit & Risk Assurance Committee that the SFRS's governance, risk management and internal control arrangements are adequate and effective, and that value for money is being achieved.

As internal auditors, we aim to add value to the SFRS by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the SFRS promote improved standards of governance, better management and decision making and more effective use of funds.

Audit & Risk Assurance Committee action

The draft 2020/21 Internal Audit Plan is being presented to the March 2020 Audit & Risk Assurance Committee meeting for discussion. We have held discussions with management in forming this plan and incorporated the feedback into this draft.

There will always be flexibility built into the plan to react to the SFRS's emerging needs. Any changes to the plan will be agreed with management and the Audit & Risk Assurance Committee.

Internal audit approach

Risk-based internal auditing

We aim to help the SFRS improve its governance, risk management and internal control arrangements by using a systematic and disciplined evaluation approach. The Chief Officer and Audit & Risk Assurance Committee require assurance that adequate control measures are operating effectively to mitigate all of the key risks to the achievement of the SFRS's objectives. The risk register should reflect this full range of risk areas.

Our internal audit methodology aims to link internal audit activity to the SFRS's overall risk management framework. The main benefit of this to the SFRS is a strategic, targeted internal audit function that focuses on the key risk areas and provides maximum value for money.

By focussing on the key risk areas, internal audit should be able to conclude that:

- Management has identified, assessed and responded to the SFRS's key risks;
- The responses to risks are effective but not excessive;
- Where residual risk is unacceptably high, further action is being taken;
- Management are continuously improving the effectiveness and efficiency of systems, processes and controls; and
- Risks, responses and actions are being properly classified and reported.

Audit Needs Assessment

Internal audit plans are based on an assessment of audit need. 'Audit need' represents the assurance required by the Audit & Risk Assurance Committee and Chief Officer from internal audit that the governance, risk management and internal control arrangements are adequate and operating effectively.

Our audit needs assessment takes both a top-down and bottom-up approach, followed by a reasonableness check. The top-down approach involves identifying the areas of highest inherent risk and the control systems in place to manage those risks. The bottom-up approach involves defining the SFRS's audit universe (potential auditable areas) and auditing processes on a cyclical basis in line with their relative risk and significance. The reasonableness check involves us using our experience, together with discussions with other internal auditors, to ensure that all key risk areas and processes have been considered and the resulting internal audit plan seems appropriate.

Our audit needs assessment involved the following activities:

- Reviewing the SFRS's risk registers;
- Reviewing the SFRS's strategic and operational plans and objectives;
- Reviewing the results of internal audit work completed in prior years;
- Reviewing external audit reports and plans;
- Reviewing the SFRS's public website, and policies and procedures;

- Input from the Audit & Risk Assurance Committee;
- Utilising our experience at similar organisations; and
- Input from the Chief Officer and Strategic Leadership Team.

The audit needs assessment is revised on an on-going basis (at least annually) to take account of any changes in the SFRS's risk profile. Any consequential changes to the internal audit plan will be approved by the Audit & Risk Assurance Committee.

Improving value for money and supporting the Statement of Corporate Governance and Internal Control

Our work can help the SFRS to assess whether value for money is being achieved. Every review includes an assessment of value for money, i.e. whether the controls identified to mitigate risks are working efficiently and effectively. Where we identify opportunities for improving value for money, we raise these with management and include them in the report action plan.

Having completed the annual programme of internal audit activity, we should be able to provide the SFRS, through the Audit & Risk Assurance Committee, with the assurance it needs to prepare an annual Statement of Corporate Governance and Internal Control that complies with best practice in corporate governance.

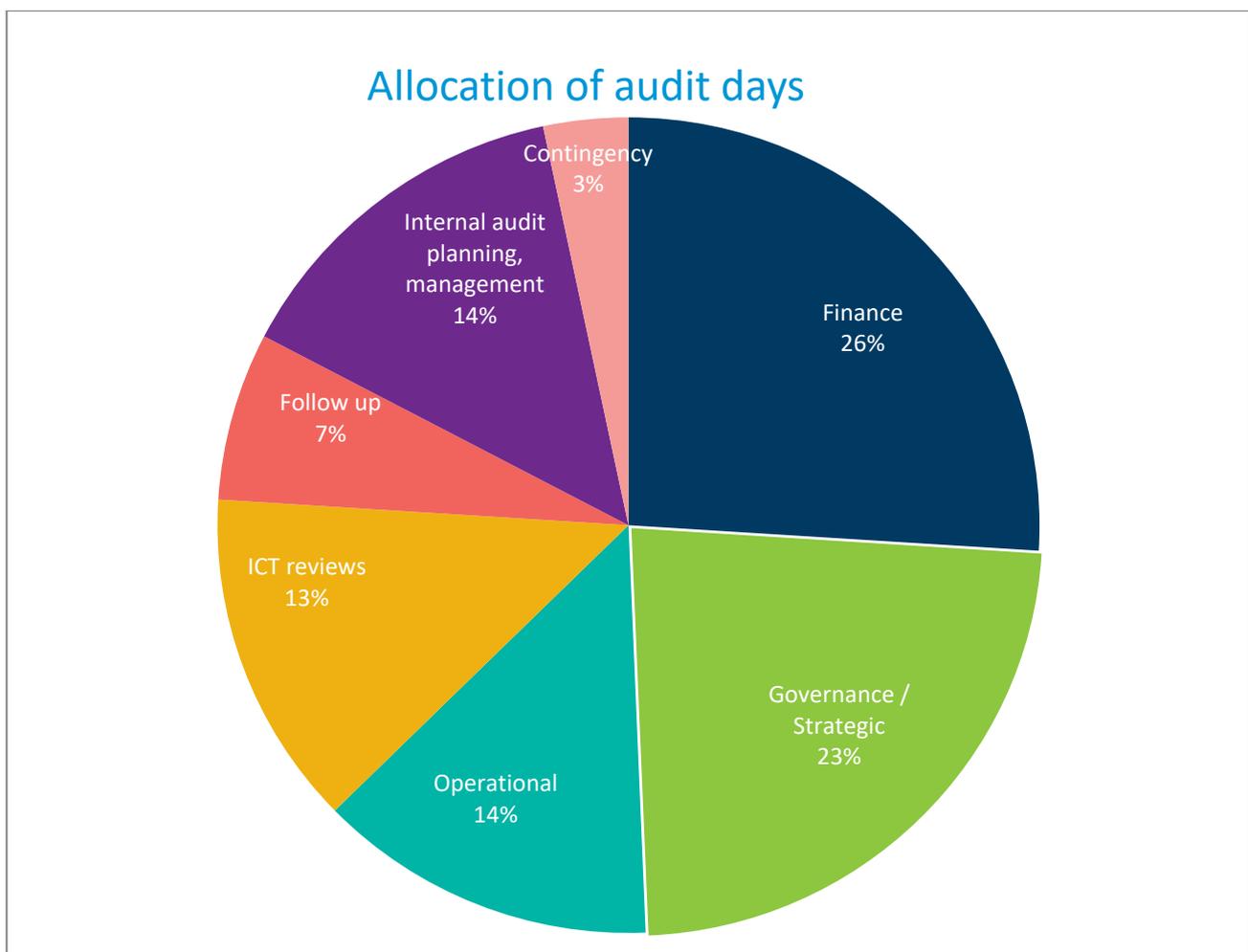
Proposed internal audit plan

Appendix 1 presents the Internal Audit Plan for 2020/21. The Internal Audit Plan is based on our audit needs assessment.

Internal audit is only one source of assurance for the Audit & Risk Assurance Committee. Assurance on the management of risk is provided from several other sources, including senior management, external audit, and the risk management framework itself.

We seek to complement the areas being covered by the SFRS's external auditor and other assurance providers by having an appropriate understanding of the scope of work undertaken within your assurance framework. This helps us to target our work in the most effective manner, avoiding duplication of effort and maximising the use of the total audit resource.

The table below demonstrates how the 150 internal audit days agreed for 2020/21 are allocated across each area of the audit plan.



Other potential reviews

In developing the audit plan, in consultation with management we have identified several additional areas that may warrant audit input if resources require to be reallocated during 2020/21 or early scrutiny in 2021/22. Whilst these would be subject to further consideration at the appropriate time reviews in the following areas have been identified:

- Project & programme management (including transformation programme)
- HR & payroll processing (post RDS harmonisation)
- Performance management
- Workforce planning
- Business continuity & disaster recovery

We identified that there may be a need to undertake assurance work in relation to COVID-19 response. We understand that HMFSI is planning a review in this area. At this time we do not consider input from Internal Audit as necessary in relation to COVID-19, to avoid duplication.

Delivering our audit plans

Audit timetable 2020/21

We will schedule our work to deliver reports across the Audit & Risk Assurance Committee meetings during the year. We will agree the timing of each review with management to ensure we avoid particularly busy periods.

Assignment planning

In line with the audit charter, prior to each review commencing, we will finalise the assignment plan with relevant management. The assignment plan sets out the scope and objectives of the audit, along with an assessment of the key business risks relating to the area under review. Where relevant we will make appropriate use of data to undertake audits of your systems and processes. This will be highlighted within assignment plans. This consultative approach ensures that the focus of each review is sensitive to the specific risks and context within which the SFRS operates. This maximises the value of each review and reflects the risk-based assurance we offer.

Reporting our findings

During each audit, we will discuss any audit findings with relevant management as they arise. This will ensure that our reports contain no surprises and our recommendations are accurate, practical and relevant.

The reports will include an overall opinion on the strength of controls within the area under review, together with an action plan detailing prioritised recommendations, responsible officers and implementation dates.

We will require management responses to our draft reports within 10 working days. Subject to there being no major issues of contention or disagreement, we will produce final reports within 5 working days of receiving management responses.

On completion of each year's audit programme, we will issue an annual report summarising our main findings for the year and giving an overall opinion to the SFRS on the effectiveness of the governance, risk management, internal control and value for money arrangements in place.

Contract management

We are committed to working with you effectively to meet your needs as your internal audit provider. We will provide you with regular progress updates to each meeting of the Audit & Risk Assurance Committee outlining progress with the audit plan and performance against agreed KPIs. At Appendix 3, we have included the KPI's outlined in our contract as well as suggested KPIs to be confirmed with the Audit & Risk Assurance Committee.

Training and knowledge transfer

We are committed to supporting our clients training and development needs and extend invites to non-executives to our regular non-executive director events to support the development of your people. Other examples include our recent partnership with the Data Lab to help organisations with technical and non-technical skills development in the use of data.

Confirmation of independence

We are required to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that the staff members identified to complete the reviews in the annual plan for 2020/21 are independent of the SFRS and their objectivity has not been compromised.

Internal Audit Team Contacts

Gary Devlin



Chief Audit Executive

email: gary.devlin@scott-moncrieff.com

telephone: 0131 473 3500

Matt Swann



Associate Director

email: matthew.swann@scott-moncrieff.com

telephone: 0131 473 3500

Mitch Collins



Data Analytics Manager

email: mitchell.collins@scott-moncrieff.com

telephone: 0131 473 3500

Appendix 1 – Internal Audit Plan 2020/21

Audit area	2020/21 days	Notes
A. Finance and financial systems reviews		
A1. Financial systems health check	15	We will review the financial controls in terms of appropriateness, ensuring completeness and integrity, and for effectiveness for producing appropriate management information.
A2. Procurement and tendering	12	We will review the procedures in place at the SFRS for procuring goods and services. This review will consider how procurement processes are communicated, monitored and comply with best practice and the Procurement Reform (Scotland) Act 2014.
A3. Expenses policy	12	A review of efficiency and effectiveness of the expenses policy to ensure that all expenses are managed in an appropriate and efficient manner.
Sub-total A – Finance and financial systems reviews	39	
B. Governance and strategic reviews		
B1. Implementation of SFRS Corporate Governance structure, Strategy and Reporting	15	Review of how the SFRS is aligning its corporate governance structure to facilitate monitoring and reporting of the achievements of strategic aims to implement an integrated assurance plan.
B2. Risk management review	20	Review of risk management overall understanding, identification, challenge, review and reporting.
Sub-total B – Governance and strategic reviews	35	
C. Operational reviews		
C1. Estates asset management and maintenance	10	To review controls in place to identify requirements for capital expenditure and controls in place to monitor expenditure on the estate.
C2. Operational equipment	10	To review controls in place to ensure equipment in operational use is fit for purpose e.g maintenance and inspection arrangements, user engagement.
Sub-total C – Operational	20	

reviews		
D. Information systems reviews		
D1. ICT and data security	20	This review will consider the adequacy of internal and external security of the SFRS network. This will include an assessment of the adequacy of management processes in identifying and resolving threats to the network and cyber security.
Sub-total D – Information systems reviews	20	
E. Other reviews		
E1. Follow up of outstanding recommendations	10	To ensure actions are being implemented as agreed.
Sub-total E – Other reviews	10	
F. Internal audit planning, management and contingency/support		
F1. Audit Needs Assessment / Internal Audit Plan preparation	5	
F2. Audit & Risk Assurance Committee, including preparation	8	
F3. Annual / periodic reporting, meetings with management	8	
F4. Contingency	5	
Sub-total F – Internal audit management and contingency/support	28	
TOTAL ANNUAL DAYS	150	

Appendix 2- Indicative Audit timetable 2020-21

Review	Quarter start	Start audit	Complete fieldwork	Draft report	Mgmt resp	Final report	Audit C'ttee
A1. Financial systems health check	Q3	Oct 20	Oct 20	Nov 20	Nov 20	Dec 20	Jan 21
A2. Procurement and tendering	Q3	Oct 20	Nov 20	Nov 20	Dec 20	Dec 20	Jan 21
A3. Expenses policy	Q4	Jan 21	Jan 21	Feb 21	Feb 21	Mar 21	Mar 21
B1. Implementation of SFRS Corporate Governance structure, Strategy and Reporting	Q2	Sep 20	Sep 20	Oct 20	Oct 20	Nov 20	Jan 21
B2. Risk management review	Q1	May 20	May 20	Jun 20	Jul 20	Jul 20	Oct 20
C1. Estates asset management and maintenance	Q4	Feb 21	Feb 21	Mar 21	Mar 21	Apr 21	Jul 21
C2. Operational equipment	Q4	Feb 21	Feb 21	Mar 21	Mar 21	Apr 21	Jul 21
D1. ICT and data security	Q1	Apr 20	May 20	May 20	Jun 20	Jun 20	Jul 20
E1. Follow up of outstanding recommendations	Q4	Feb 21	Mar 21	Mar 21	Apr 21	Apr 21	Jul 21
F3. Annual report	Q4	n/a	n/a	May 21	Jun 21	Jul 21	Jul 21

Appendix 3: KPIs

The following table sets out the contractually agreed KPIs.

KPI description	Status	Comments
Actual v planned hours per audit		
Cost of service by grade		
Cost per audit		
Completion of customer feedback on each audit demonstrating satisfactory performance		
Percentage of follow-up recommendations completed on time		

The following table sets additional KPIs for consideration for implementation by the Audit & Risk Assurance Committee.

KPI description	Status	Comments
Audit reports for presentation to the Audit & Risk Assurance Committee are submitted no less than one week prior to the advised Committee dates.		
The Annual Report is submitted to the July Audit & Risk Assurance Committee each year.		
Assignment plans are issued on average no less than 15 working days prior to the start of the fieldwork.		
Draft reports are issued on average within 15 working days of completing fieldwork.		

KPI description	Status	Comments
Management responses are received on average within 10 working days of issue of the draft report.		

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