



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

INTERNAL AUDIT REPORTS

Report of the Treasurer to the Fire Authority

Date: 10 October 2014

Purpose of Report:

To present to Members the reports which have been issued by Internal Audit during 2014/2015 following audit work they have carried out.

The report also sets out the response of management to the recommendations made.

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1. BACKGROUND

- 1.1 The Fire Authority is provided with an Internal Audit Service by Nottinghamshire County Council on a contract basis.
- 1.2 As part of the internal governance arrangements of the authority the internal auditors will issue reports on their findings and recommendations relating to their audit work to management who respond to the recommendations formally.
- 1.3 From time to time the auditor's reports are presented to the Finance and Resources Committee in order that this committee acting in its capacity as an Audit Committee can see the results of audit work being carried out and gain assurances from the Internal Auditors.

2. REPORT

- 2.1 The reports for consideration at this meeting are:
 - FRS 1501 Fixed Assets Data Migration
 - FRS 1502 ICT Strategy
 - FRS 1503 Business Risk Management follow up report

FRS1501 – FIXED ASSET DATA MIGRATION

- 2.2 This was an audit carried out at the request of the Director of Finance and Resources following the implementation of the Fixed Assets module within the Agresso accounting system. It was done to ensure that assets and associated detail were correctly and completely transferred from the existing data to avoid any difficulties at the year end.
- 2.3 The Auditors were able to provide a substantial level of assurance as to the accuracy of the data transferred and made one recommendation about the recording of old asset numbers in the new system to enable the audit trail between the old asset registers and the new system to be strengthened. This has been done.

FRS1502 – ICT STRATEGY

- 2.4 This was an audit which examined the arrangements in place for the determination of the ICT strategy and the associated governance and control arrangements in place.

2.5 The Auditors were generally very complimentary about the strategy and arrangements but did make a series of medium risk recommendations:

There should be more dialogue with senior managers to ensure that their requirements are taken into account.

We do not intend to rework the exiting strategy but when this comes up for review in 2015 this will be done more thoroughly

ICT should work with the business to identify future needs so that appropriate technologies can be sourced and introduced in a timely manner.

Again this will be picked up in 2015 but the new structure for ICT specifically includes an area for business development which will address this issue.

ICT should consult with Corporate Services to ensure that the information management needs are properly supported by policies and technology.

Discussions are to be had with the Planning and Performance Manager and her team to gain assurance that these issues are addressed.

The initiatives with regard to performance measurement and publication should be introduced as soon as possible. The outcomes should be used to formulate service improvement plans.

The project to implement an updated version of Microsoft System Centre 2012 will commence on 27th May 2014. This project will implement a new Service Management System to replace the existing software, as part of Phase 2 of the project, and will provide improved performance monitoring tools, SLAs and KPIs Performance statistics are now monitored consistently and reported monthly.

Consider employing ITIL best practice in respect of supplier management to help to ensure that the objectives of alternative service delivery are achieved.

NFRS are currently reviewing the possibility of utilising alternative delivery models, such as Microsoft Office 365. The current catalogue of external suppliers is under review by the Finance Department and the Head of ICT. Management of external service contracts will be done using an ITIL-based policy process; which is under construction.

FRS1503 – BUSINESS RISK MANAGEMENT FOLLOW UP

- 2.6 This was a follow up audit on FRS1303 where the Auditors were unhappy about controls and process around business risk management. This report confirms that all of the previous recommendations have been implemented and the Auditors are now able to provide a reasonable level of assurance.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report does not relate to a change in policy of any kind.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report beyond compliance with the local government act which requires that the Treasurer shall maintain an adequate internal audit. .

8. RISK MANAGEMENT IMPLICATIONS

Internal Audit forms a significant part of the internal control environment of the Authority.

9. RECOMMENDATIONS

That Members note the contents of this report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Peter Hurford
TREASURER TO THE FIRE AUTHORITY

To: Chief Fire Office

Subject: Migration of Fixed Asset data

Date: September 2014

1 Introduction

1.1 We have audited the net book value figures of the Fire Authority assets following the data migration from the fixed asset register to the Agresso accounting system. We used IDEA data analysis software to confirm the opening net book value figures for the individual assets recorded in Agresso as at 1 April 2013 agreed to the closing balances as at 31 March 2013 recorded in the fixed asset register, which were the basis for preparing the financial accounts. We also confirmed the total net book value for assets recorded in Agresso agreed to the total in the fixed asset register and the financial statements.

2 Audit opinion

2.1 Following this audit, in our opinion the level of assurance we can provide is: -



Limited assurance



Reasonable Assurance



SUBSTANTIAL ASSURANCE

Risk levels are low

3 Risk areas examined

3.1 We would highlight the key risks as: -

<i>Risk description</i>	<i>Significance</i>
Assets are not transferred to the Agresso accounting system.	Assets which are no longer recorded as owned by the authority may be lost.
Errors are made with regard to the asset values transferred.	Assets may be over or understated in the accounting records.
Assets which are no longer owned by the authority are transferred into the new accounting system.	Assets no longer owned by the authority may be recorded in the accounting records

3.2 The scale of the area reviewed is: -

<i>NBV of assets (£000)</i>	<i>2011-12</i>	<i>2012-13</i>
<i>Land and Buildings</i>	<i>39,220</i>	<i>40,979</i>
<i>Vehicles, Plant and Equipment</i>	<i>7,571</i>	<i>8,022</i>
<i>Assets Under Construction</i>	<i>3,366</i>	<i>2,482</i>
<i>Surplus assets</i>	<i>749</i>	<i>2069</i>
<i>Intangible assets</i>	<i>122</i>	<i>250</i>
<i>Total</i>	<i>51,028</i>	<i>53,802</i>

4 Audit findings

4.1 We found: -

- All assets recorded in the fixed asset register had been transferred to Agresso.
- The net book value of individual assets had been transferred accurately to Agresso.
- The total net book value for assets recorded in Agresso agreed to the fixed asset register and the financial statements as at 31 March 2013.
- Unique asset numbers were allocated to assets within Agresso. Individual assets in the original fixed asset register were not always allocated a unique asset number.
- As part of the process an intermediate spreadsheet was provided to link the original asset number to the asset number allocated by Agresso. We found four cases where the original asset number had been incorrectly transferred to the intermediate spreadsheet. This had no effect on the Agresso records.

4.2 However, there was one weakness. The attached Action Plan sets out this weakness and our recommendation to address it.

4.3 A summary of the recommendation made is set out below: -

<i>Control risk – by category</i>	<i>Number of Recommendations</i>	<i>Recommended speed of attention</i>
High Risk		Immediate
Medium Risk		Within two months
Low Risk	1	Within six months
Value for money		As soon as practicable

Audit conducted by: Helen Lomas, MAAT

Audit supervised by: Kate Buckley, ACA

J M Bailey CPFA, Head of Internal Audit

Low risk areas (desirable for effective internal control, may implement recommendations to improve existing control arrangements)

<p>1. Audit Trail of Assets</p> <p>Weakness:</p> <ul style="list-style-type: none"> The trail from the asset register to the Agresso records is limited. <p>Test failure:</p> <ul style="list-style-type: none"> The individual asset numbers have changed between the fixed asset register and the Agresso accounting records. The Agresso accounting system does not include the previous asset number, although there is an intermediate spreadsheet which records the new asset numbers in Agresso and the previous asset number in the fixed asset register. This limits the trail of the assets between the current accounting system and the previous fixed asset register. <p>Risk: <i>There is an inadequate audit trail between the Agresso accounting system and the fixed asset register.</i></p>	<p>Details of the original asset numbers should be entered in the Agresso system as previously agreed to ensure an appropriate audit trail exists.</p>	<p><u>Response of Chief Fire Officer –</u></p> <p><i>It was always the intention to add the former asset numbers to the asset records in the new system and only lack of time prevented it from being effected during implementation, so this recommendation is accepted and will be actioned.</i></p> <p><u>Date for implementation</u></p> <p><i>By 30/11/14</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Principal Accountant</i></p>
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To: Chief Fire Officer

Subject: ICT Strategy

Date: June 2014

5 Introduction

- 5.1 We have audited the arrangements established by management for the determination of an ICT Strategy.
- 5.2 An external strategic review of ICT was performed by Cronins (Specialists in Fire & Rescue Services) in September 2012, which identified a significant strategic gap with the ICT function. In particular it identified insufficient strategic direction and integration throughout the service.

6 Audit opinion

- 6.1 In the areas examined, we have assessed the controls in place to determine what level of assurance is provided that business objectives are met and risks are mitigated.
- 6.2 Following this audit, in our opinion the level of assurance we can provide is: -



Limited assurance



REASONABLE ASSURANCE

Risk levels are acceptable



Substantial Assurance

7 Risk areas examined

- 7.1 We would highlight the key risks as: -

<i>Risk description</i>	<i>Significance</i>
Strategy not aligned to organisational aims and objectives.	ICT service fails to deliver a service that meets operational needs.
Technology does not deliver organisational objectives.	Services not delivered in an efficient and effective manner.
Lack of ICT Governance.	Responsibility and accountability for ICT performance not established.
Failure to identify and provide for necessary information systems and security.	Data security compromised.

Inadequate ICT resources provided to deliver the strategy.	Service delivery fails to meet user expectations.
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8 Audit findings

8.1 We consider the controls to be effective in the following areas: -

- The recently appointed Head of ICT has produced a strategy that will bring about a more structured and focussed service delivery to meet the organisation's needs.
- Technological developments that will benefit the NFRS have been identified and their usage planned, where appropriate and beneficial.
- Several aspects of the current delivery model have been found to be going out of support and plans are in progress to replace these with current solutions. This will also result in a degree of streamlining that will bring about efficiency savings.
- Responsibilities for delivering and managing ICT services are clearly defined.
- ICT policies have been drafted to provide for a sound basis for the provision of a secure operating model and arrangements for information governance.
- A new ICT staff structure has been proposed to enable the delivery of services to meet organisational requirements and costs relating to proposed service improvements were agreed by the Corporate Management Board.

8.2 There has been much work done to prepare the ICT Strategy to enable the ICT Service to move forward from a perceived low base in term of service delivery and credibility within NFRS. The strategy is a major step forward in designing a service that is fit for purpose and designed to meet the current and future needs of its user base.

8.3 However, there are some improvements to the preparation of the ICT Strategy that would increase the service's ability to satisfy the organisation's ambitions. The attached Action Plan sets out the issues identified and our recommendations to address them.

8.4 A summary of the recommendations made, together with a brief summary of the high and medium risk areas, is set out below: -

<i>Control risk – by category</i>	<i>Number of Recommendations</i>	<i>Recommended speed of attention</i>
High Risk	0	Immediate
Medium Risk	5	Within two months
Low Risk	0	Within six months
Value for money	0	As soon as practicable

Medium risk areas:

- Consultation with the business in preparing the ICT strategy (see Action Plan 1).
- Identification of future business needs (see Action Plan 2).
- Information management requirements (see Action Plan 3).
- Measurement of ICT service performance (see Action Plan 4).
- External contracts and services (see Action Plan 5).

Audit conducted by: Paul Bellamy, QiCA, ICT Auditor

Audit supervised by: J M Bailey CPFA, Head of Internal Audit

Audit Finding	Recommendation	Management Response
Medium risk areas (highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>1. Consultation with the business.</p> <p>Organisational objectives were derived from the NFRS Service Plan and risk register and Cronins' report. There was no direct consultation with senior managers.</p> <p>It is noted that the NFRS Service Plan includes the intention to provide a new Intranet and replace the management information system. Neither of these items appear in the ICT Strategy</p> <p>Risk: <i>Service specific requirements, both current and planned, might not be facilitated.</i></p>	<p>As the ICT Strategy is developed in future years, there should be dialogue with senior managers to ensure that their requirements are taken into consideration.</p>	<p><u><i>Response of Strategic Director of Finance and Resources</i></u></p> <p><i>The next iteration of the NFRS ICT Strategy, to be developed before April 2015, will ensure that greater consultation with the Senior Managers is undertaken.</i></p> <p><u><i>Date for implementation:</i></u> Af</p> <p><u><i>Officer responsible for implementation</i></u></p> <p><i>Head of ICT</i></p>
<p>2. Technology to meet future service requirements.</p> <p>The strategy does not contain details of future business requirements, although it does emphasise the need to align with business requirements</p> <p>Risk: <i>Failure to utilise technology that supports service developments.</i></p>	<p>ICT should work with the business to identify future needs so that appropriate technologies can be sourced and introduced in a timely manner.</p>	<p><u><i>Response of Strategic Director of Finance and Resources</i></u></p> <p><i>The next iteration of the NFRS ICT Strategy, to be developed during 2015, will ensure that the future needs of the business are considered to ensure that ICT is aligned with these needs.</i></p> <p><u><i>Date for implementation:</i></u> Af</p> <p><u><i>Officer responsible for implementation:</i></u></p> <p><i>Head of ICT</i></p>

Audit Finding	Recommendation	Management Response
<p>3. Information Requirements.</p> <p>The ICT Strategy does not contain details of information requirements as this is the responsibility of Corporate Services.</p> <p>The Head of ICT has developed a number of policies, including one in respect of IT Information Security.</p> <p>Risk: <i>ICT services do not provide for adequate information management.</i></p>	<p>ICT should consult with Corporate Services to ensure that the information management needs are properly supported by policies and technology.</p>	<p><u><i>Response of Strategic Director of Finance and Resources</i></u></p> <p><i>Discussions will be had with the Planning and Performance Manager and Policy Planning Manager to ensure that their Information Security requirements are met by the new ICT Policies.</i></p> <p><u><i>Date for implementation:</i></u> 1st</p> <p><u><i>Officer responsible for implementation:</i></u> <i>Head of ICT</i></p>
<p>4. ICT Service Performance.</p> <p>There are currently no arrangements in place to measure and report on the performance of the ICT Service.</p> <p>A new Service Centre solution is to be rolled out, which will include the determination of performance metrics. The ICT Strategy includes the development of a service level agreement and measures to improve performance. Performance information will be published on SharePoint and this is seen as a positive step with regard to performance management.</p> <p>Risk: <i>ICT Service performance fails to meet organisational requirements and satisfactory standards</i></p>	<p>The initiatives with regard to performance measurement and publication should be introduced as soon as possible. The outcomes should be used to formulate service improvement plans.</p>	<p><u><i>Response of Strategic Director of Finance and Resources</i></u></p> <p><i>The project to implement an updated version of Microsoft System Centre 2012 will commence on 27th May 2014. This project will implement a new Service Management System to replace the existing software, as part of Phase 2 of the project, and will provide improved performance monitoring tools, SLAs and KPIs.</i></p> <p><u><i>Date for implementation:</i></u> 1st</p> <p><u><i>Officer responsible for implementation:</i></u> <i>Head of ICT</i></p>

Audit Finding	Recommendation	Management Response
<p>5. External Contracts and Services.</p> <p>The strategy refers to the exploration of alternative delivery models, including the use of external service providers, but does not give any details of how these would be managed.</p> <p>Reference is made in the strategy to the implementation of ITIL good practice with regard to incident management and request fulfilment, but no other elements of ITIL have been considered</p> <p>Risk: <i>Failure to utilise the most cost effective and efficient services.</i></p>	<p>Consider employing ITIL best practice in respect of supplier management to help to ensure that the objectives of alternative service delivery are achieved.</p>	<p><u><i>Response of Strategic Director of Finance and Resources</i></u></p> <p><i>NFRS are currently reviewing the possibility of utilising alternative delivery models, such as Microsoft Office 365.</i></p> <p><i>The current catalogue of external suppliers is under review by the Finance Department and the Head of ICT. Management of external service contracts will be done using an ITIL-based policy process; which is under construction.</i></p> <p><u><i>Date for implementation:</i></u> <i>1st</i></p> <p><u><i>Officer responsible for implementation:</i></u> <i>Head of ICT</i></p>

To: The Chief Fire Officer

Subject: Business Risk Management follow-up

Date: July 2014

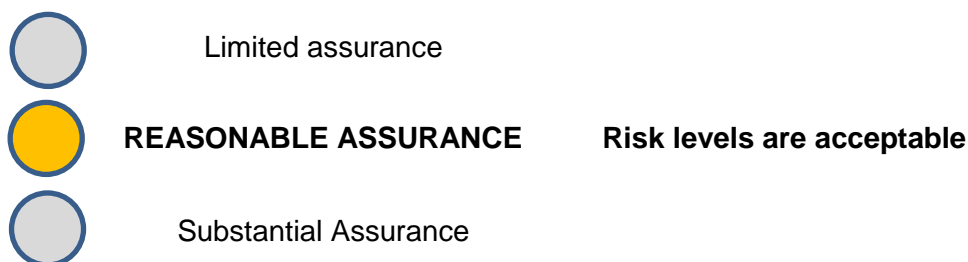
9 Introduction

9.1 Our previous report on Business Risk Management (ref FRS/1302), contained only limited assurance concerning the controls. We have therefore followed up the progress made with implementing the five recommendations we made.

10 Audit opinion

10.1 With a follow-up, we re-assess the controls in place relating to the previous recommendations to determine what level of assurance we can now provide that business objectives are met and risks are mitigated.

10.2 Following this audit, the level of assurance we can now provide is:



11 Risk profile of areas examined

11.1 The previous recommendations highlighted the following key risks: -

<i>Risk description</i>	<i>Significance</i>
There is no approved Risk Management Strategy.	The Authority is unclear on the level of risk it is prepared to accept.
There is no approved Corporate Risk Register.	Risk Management does not become embedded into the Authority's ways of working.
There is no programme of monitoring, documenting and reporting Risk Management issues to the Corporate Management	Risks are not managed effectively.

Board.	
The current weaknesses in Risk Management are not acknowledged and addressed.	Risk management will not be effective.

<i>Risk description</i>	<i>Significance</i>
<u>Corporate Risk Management is not integrated with decision making at Corporate Management Board, and does not give assurance to the Finance and Resources Committee.</u>	Risks are not managed effectively

12 Audit findings

12.1 We consider the current controls are now effective in the following areas: -

- A Corporate Risk Management policy has been approved.
- A Corporate Risk Register has been approved.
- Reports on Risk Management are regularly discussed at the Service Managers' Forum and Corporate Management Board (CMB).
- Weaknesses in Risk Management were acknowledged in a report to CMB in June 2012. Measures to address these weaknesses included the expansion of CMB's remit to include responsibility for Risk Management.
- Risk registers are reviewed by CMB and the Finance and Resources Committee.

**Audit conducted by: Lesley Bulman ACMA
Auditor**

Audit supervised by: Kate Buckley ACA

Senior Auditor

J M Bailey CPFA, Head of Internal Audit