# NOTTINGHAMSHIRE
## Fire & Rescue Service
*Creating Safer Communities*

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

# INTERNAL AUDIT REPORT 2021/22 UPDATE

Report of the Chief Fire Officer

**Date:** 22 April 2022

**Purpose of Report:**

To bring to the attention of Members the outcome of reports commissioned by Nottinghamshire Fire and Rescue Service, prepared by the Authority's Internal Auditors

**Recommendations:**

That Members note the contents of this report.

| CONTACT OFFICER | |
|---|---|
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## 1. BACKGROUND

1.1 Nottinghamshire County Council has provided an Internal Audit service to the Fire and Rescue Authority since its formation in 1998. The service is provided under a Service Level Agreement with Nottinghamshire County Council and requires the Auditors to operate within the Public Sector Internal Audit Standards set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). Operating to these standards will ensure that the Authority meets its obligations under statute.

1.2 This report presents the 2021/22 audits which have been completed to date. Information on outstanding audits will be presented to the Finance and Resources Committee as part of the Internal Audit annual report on 24 June 2022 (date to be confirmed at AGM).

## 2. REPORT

2.1 The responsibility for ensuring effective internal audit functions rests with the Authority Treasurer as part of their Section 112 obligations.

2.2 The Authority views Internal Audit as an integral part of the corporate governance framework, particularly in so far as it relates to the system of Internal Control. Whilst it is acknowledged that Internal Control is a managerial responsibility, it is considered that Internal Audit can provide managers with independent assurance that the system is working effectively and draw any deficiencies in the system to the attention of managers and elected members.

2.3 There are regular reviews of audit plans and progress by senior managers and the audit team to monitor the work being carried out.

**AUDIT COVERAGE TO THE END OF MARCH 22**

2.4 Seven audits were planned for completion in 2021/22. A summary of progress is shown in the table below.

| Audit | Progress | Assurance Level | Appendix |
|---|---|---|---|
| Payroll and ITrent | Complete | Substantial | A |
| Financial Management Code | Complete | Reasonable | B |
| Asset Disposals | Complete | Limited | C |
| Performance Management | Incomplete | None | D |
| Ethical Policies and Procedures | Draft | Substantial | |
| Pensions | In Progress | | |
| Property & Premises | In Progress | | |

**AUDIT ASSURANCE**

2.5    The payroll audit was awarded substantial assurance – risk levels are low. The report is attached at Appendix A.

2.6    The Financial Management Code audit was awarded reasonable assurance and is discussed further in the Financial Management Code update report which is a separate item on this agenda.

2.7    The Asset Disposal audit (Appendix C) was requested following the discovery of fraudulent activity at another Fire and Rescue Service. The audit found evidence of effective controls with regard to disposal policies and procedures, audit trails and methods of disposals. However, there are some control weaknesses and failures to comply with standard controls which meant that the audit could only provide limited assurance. It should be noted that no evidence of fraudulent activity was found. An action plan has been agreed and a further audit will be undertaken in 2022/23 to confirm the recommended actions have been progressed.

2.8    The Performance Management audit was started but it was not able to complete it due to a lack of resources in the Corporate Support Team. A new Business Intelligence Manager has now been recruited and the audit will be undertaken in 2022/23.

2.9    All audit reports are reviewed by the Strategic Leadership Team who also receive a follow up report on progress against High and Medium priority recommendations. Follow up reviews are also undertaken by Internal Audit to ensure that recommendations have been progressed.

**UPDATE ON AUDIT PROGRAMME**

2.10   A draft report has been issued in respect of the Ethical Policies and Procedures Audit which has received a grading of substantial assurance. This is a positive reflection of the progress that has been made in this area following the adoption the Code of Ethics. This report will be included in a future report once the report has been finalised.

2.11   The Pensions and Property and Premises audits are underway and will be included in a future report once complete.

| **3.   FINANCIAL IMPLICATIONS** |
|---|

There are no direct financial implications arising from this report, although the internal audit process does form part of the Authority's assurance that value for money and assurance that effective accounting arrangements are in place.

| **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

There are no equalities implications arising from this report.

## 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.

## 8. RISK MANAGEMENT IMPLICATIONS

Internal Audit forms part of the wider system of internal control which deals entirely with the Authority's exposure to financial, and to some extent, non-financial risk. Presenting the reports to the Authority enables Members to see the work of internal audit and the contribution that they make to the overall system of internal control.

## 9. COLLABORATION IMPLICATIONS

The Internal Audit service is provided by Nottinghamshire County Council. There may be opportunities for further collaborative procurement of Internal Audit services in the future.

## 10. RECOMMENDATIONS

That Members note the contents of this report.

## 11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
**CHIEF FIRE OFFICER**

# Nottinghamshire County Council

**Internal Audit Report**

Report ref: 2021-05

OFFICIAL SENSITIVE

**To:** Chief Fire Officer

**Subject:** NFRS - Payroll controls

**Date:** November 2021

## 1 Introduction

1.1 We have carried out an audit of the controls over the Service's payroll system, assessing the effectiveness of controls in place for payroll functions including new positions, starters, leavers, changes to pay details, overtime, deductions and the control over payroll processing. The payroll module is integrated into the iTrent Human Resources (HR) system, meaning that information is linked between the HR and Payroll systems, although the functions of HR and payroll operate separately. Our audit covered the 3 payrolls; Non-Uniformed Employees and Members, Retained Duty Employees and Wholetime Duty and Control Employees. We did not cover the Pensions payrolls as these are reviewed as a separate audit subject.

1.2 The departmental objectives of the system are to pay all genuine employees their correct pay on time and to make deductions correctly to the relevant body. Payroll records should be correctly input, properly authorised and accounted for correctly.

## 2 Audit opinion

2.1 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.

2.2 In our opinion the level of assurance we can provide is: -

**SUBSTANTIAL ASSURANCE**     **Risk levels are low**

## 3 Risk areas examined

3.1 During this audit we looked for controls to address the following key risks: -

| Risk title | Description |
|---|---|
| Administration | Insufficient staff or procedures to process payroll accurately and timely |

| Integrity | Invalid payees and invalid pay rates on the payroll |
|---|---|
| Changes to Existing Employees | Changes to existing employee details made improperly |
| New Starters | Starters added improperly |
| Leavers | Leavers not removed in a timely manner |
| Overtime | Overtime paid without being authorised or checked |
| Deductions | Deductions from pay made incorrectly; and not paid over (e.g. to HMRC) correctly or timely |
| Accurate Processing | Payroll is incorrectly processed, or anomalies not spotted from overview and exception reports |
| Accounting System | Payroll costs are not recorded accurately in the accounting system |

3.2    The scale of the area reviewed is: -

| Payroll | Number of Employees | Total Gross Pay 2020/21 (£) |
|---|---|---|
| Non-Uniformed Employees and Members | 196 | 5,597,306 |
| Retained Duty Employees | 175 | 2,043,997 |
| Wholetime Duty and Control Employees | 421 | 17,613,900 |
| **Total** | **792** | **25,255,203** |

## 4    Audit findings

4.1    Following our work, we consider the controls to be effective in the following risk areas:

- Administration - The payroll team is sufficiently staffed to ensure that all duties can be completed on time and a separation of duties can operate where required.  Access to the payroll system is restricted to appropriate staff who have all the necessary access.  There are written guides to instruct payroll staff where needed, along with a timetable for the processing of the payroll, which is adhered to.

- Integrity - The payroll is linked to the HR structure so payees can only be allocated to authorised positions. All payees are allocated to standard recognised pay rates and pay scales on the payroll. The input of new salary rates is checked by another officer to ensure there is a segregation of duties in place.

- Changes to Existing Employees - There is a standard method to notify changes to an employee's details, which includes an independent check and authorisation. Changes to employee bank details are controlled by the employee.

- New Starters - There is a standard method to request new positions in the HR structure, and add new starters, all from an appropriate source and with independent check and authorisation.

- Leavers – There is a standard method to notify leavers. Leavers are processed in a timely manner with minimal cases of overpayments to leavers, which are pursued for recovery.

- Overtime - Overtime is claimed on a standard form and properly checked and authorised.

- Deductions - Voluntary deductions are controlled by the employee. Monthly reports are run to review the level of deductions. The system reports totals of deductions to be paid over to other bodies and these payments are made timely.

- Accurate Processing - There are standard monthly reviews by management to ensure that the payroll is correctly processed. This includes a standard monthly tasklist to control the accurate processing of payroll, and the use of differences reports which highlight any variations for investigation.

- Accounting System - There is a monthly reconciliation of Payroll to Agresso to ensure accurate accounting

4.2    There were no control weaknesses and no failures to comply with the standard controls. Therefore, no recommendations are made.

4.3    No other advisory actions were discussed during the audit.

**Audit conducted by: Emily Jackson**
**Apprentice Internal Auditor**

**Audit supervised by: Andrew Howarth**
**Senior Auditor**

**Rob Disney, Group Manager Assurance**

# Nottinghamshire County Council

| Internal Audit Report | Report ref: 2021-09 |

**OFFICIAL SENSITIVE**

**To:** The Chief Fire Officer, Nottinghamshire Fire and Rescue Service

**Subject:** NFRS – CIPFA Financial Management Code

**Date:** March 2022

## 1 Introduction

1.1 The purpose of the review is to examine the evidence to confirm that the Fire Service complies with CIPFA's Financial Management Code (FM Code).

1.2 CIPFA has developed the FM Code, which sets out the principles by which authorities should be guided in managing their finances and the specific standards that they should, as a minimum, have in place by the end of FY 2021/22.

## 2 Audit opinion

2.1 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.

2.2 In our opinion the level of assurance we can provide is: -

    ○     **REASONABLE ASSURANCE**     **Risk levels are acceptable**

    ●     **REASONABLE ASSURANCE**     **Risk levels are acceptable**

    ○
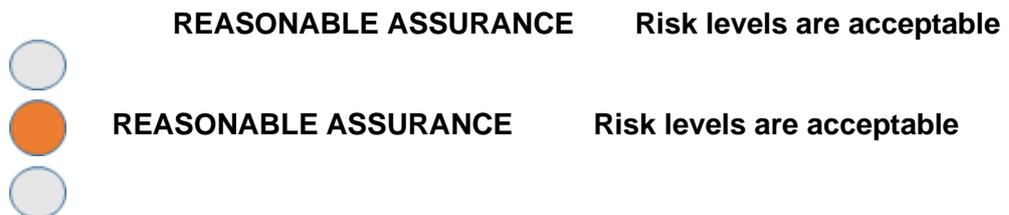
## 3 Risk areas examined

3.1 During this audit we looked for controls to address the following key risks arising from each of CIPFA's six principles: -

| Risk title | Description |
|---|---|
| Leadership | There may be a lack of clear leadership or strategic direction. |
| Accountability | Governance and internal control arrangements may not be operating effectively and that those responsible for the effective operation of these arrangements may not be held accountable. Ineffective financial planning, risk management or data management may result. |
| Transparency | Data may be reported inconsistently, incompletely or inaccurately. |

| | |
|---|---|
| Professional Standards | Professional standards by leadership may not be adhered to. |
| Sources of Assurance | There may be inadequate or unrecognised sources of assurance. |
| Long-term Sustainability and Value for Money (VFM) | Processes may not ensure the prudent use of resources. |

3.2     The scale of the area reviewed is: -

| Metric | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Net Revenue Expenditure (£m) | 42.715 | 42.080 | 44.890 |
| Capital Expenditure (£m) | 1.075 | 1.858 | 3.249 |

## 4      Audit findings

4.1     Following our work, and with reference to the other sources of independent assurance that were available, we consider the controls to be effective in the following risk areas: -

- Self-Assessment - In accordance with the Code, the Fire Authority can evidence that they have reviewed their financial management arrangements against the Standards and that they have taken such action as may be necessary to comply with them. The Head of Finance has carried out a self-assessment and gap analysis and presented this to the Finance & Resources Committee in July 2021. Where gaps have been identified, actions have been put into place to address those.
- Leadership – A governance framework is in place, with established financial reporting arrangements.
- Accountability – Regular reports and oversight is conducted through the Fire Authority, SLT (weekly meetings), Operational Learning Board (bi-monthly), Programme and Performance Board (monthly), and the Service Delivery and Evaluation and Assurance Group (quarterly).
- Long-term sustainability and VFM – the Strategic Plan contains information on the budget and is a key document informing the Medium-Term Financial Strategy (MTFS). The MTFS includes the priorities outlined in the Strategic Integrated Risk Management Plan (IRMP) and links together with all other strategies of the organisation such as the Capital Strategy, Treasury Management Strategy and Reserves Strategy. VFM is driven in budget reviews and monitoring, project management, contract management and financial management. The Annual Statement of Assurance 2020/2021 concluded that arrangements for securing VFM were achieved.

4.2     There were some control weaknesses and some failures to comply with the standard controls, resulting in remaining risks. The attached Action Plan sets out these weaknesses, and our recommendations to address them.

4.3     A summary of the recommendations made, together with brief details of the related findings, is set out below: -

| Priority level | Number of Recommendations | Recommended action timescales |
|---|---|---|
| Priority 1 | 0 | Immediate |
| Priority 2 | 4 | Within two months |

**Priority 2 areas**

- Leadership - Several policies and procedures in relation to governance arrangements have not been updated in accordance with the revision schedule and have been found to be out of date.
- Accountability - The processes to identify when a budget holder has over-committed capital expenditure are not robustly applied and have allowed a budget to become significantly overspent.
- Professional Standards - Financial Regulations, Financial Procedures and Statement of Financial Principles are out of date.
- Sources of Assurance - Several internal audits have been delayed or could not be completed as a result of incomplete information being provided.

4.4 **Advisory Areas**

In addition to the above, several actions were identified through the gap analysis.

Work remains in progress regarding the following:

- Codes of conduct – due to be approved by the end of the financial year and circulated to all staff. Once done, a Net Consent report will be sent to audit confirming this action.
- Need to undertake a savings review once funding levels can be predicted with greater certainty. This will happen as part of the 2022/23 MTFS.

It is advised that Management complete any outstanding actions required to comply with the FM Code.

**Audit conducted by: Angela Wendels**
**Senior Auditor**

**Audit supervised by: Philip Dent**
**Audit Supervisor**

**Rob Disney, Group Manager Assurance**

| Audit Finding | Recommendation | Management Response |
|---|---|---|
| **Priority 1 areas** (Essential for effective internal control, must implement recommendations to improve existing control arrangements) | | |
| **1. Accountability and Governance** Work undertaken by the Executive Officer has revealed that many of the policies and procedures in relation to governance have not been updated for a long time and are outdated.  This includes: <ul><li>The Chief Financial Officer (CFO) Scheme of Delegation - the document that governs the CFOs responsibilities and powers;</li><li>The Standing Orders – This is essentially the "Rule Book" for running NFRS;</li><li>Members Allowance Scheme – This scheme sets out the remuneration entitlement of Members</li></ul> Also, many of the documents are not available on the intranet or public website. In November 2021, the Policy and Strategy Committee considered a proposal to review NFRS's constitution and associated governance and this was approved. **Risk: There may be a lack of effective accountability, governance or control.** | **Where policies and procedures have been found to be out of date, these should be revised and approved.** **Revised policies should be made available on the intranet and/or public website as appropriate.** | **Response** The policies will be reviewed and amended in consultation with the Clerk to the Fire Authority (CFA) throughout 2022. **Date for implementation** Ongoing – 31 December 2022 **Officer responsible for implementation** Executive Officer and Clerk to the Fire Authority |

| Audit Finding | Recommendation | Management Response |
| --- | --- | --- |
| **2. Budgetary Control**<br><br>Orders placed on the ICT capital budget exceeded the budget by £125k, although the budget holder had discussed budget requirements with SLT and would have been aware of their budget at the beginning of the year.<br><br>The ability to overspend is not prevented by system controls. Budget monitoring is carried out with monthly meetings with budget holders (where possible) but this does not always happen if staff are busy or unavailable. Where orders are placed which exceed the budget, this is not flagged up in Agresso and orders over £10k from existing frameworks or contracts are not usually scrutinised by Finance when they are authorised.<br><br>A review of training materials is underway.<br><br>**Risk: Inadequate financial resources to meet commitments. Lack of clarity regarding budgetary control.** | **In line with Financial Regulations, budget holders should report on any variances in their own areas and take any action necessary to avoid exceeding their budget allocation.**<br><br>**More robust measures may include:**<br>- **budget holders submitting monthly returns to confirm they have reviewed their expenditure**<br>- **having system controls to flag up when the budget is being exceeded.**<br><br>**The revised training materials should reinforce best practice guidance around budgetary control.** | **Response**<br>Currently looking at an approach to send a system generated email out to budget holders identifying headline budget monitoring which will require a response.<br><br>System controls are not compatible with the way that the system is built for all budgets. However, an additional process can be built in to check budgetary provision for orders in excess of £10k.<br><br>**Date for implementation**<br>30 September 2022<br><br>**Officer responsible for implementation**<br>Assistant Head of Finance |
| **3. Financial Regulations, Financial Procedures and Statement of Principles**<br><br>Financial Regulations set out that the Director of Finance is responsible for maintaining a continuous review of Financial Regulations and submitting any changes to the Fire Authority for approval. Financial Regulations, Procedures and Principles policies have not been updated since 2017 and are now out of date.<br><br>**Risk: Outdated requirements that reduce financial controls.** | **Financial Regulations, Financial Procedures and Statement or Principles should be reviewed and updated in accordance with the agreed refresh schedule.** | **Response**<br>Currently under review.<br><br>**Date for implementation**<br>30 September 2022<br><br>**Officer responsible for implementation**<br>Assistant Head of Finance |

| Audit Finding | Recommendation | Management Response |
| --- | --- | --- |
| **4. Incomplete or Delayed Audits**<br><br>It has been difficult to complete all planned audits in the last two years and some audits were incomplete or delayed due to lack of staff engagement or availability.<br><br>It is acknowledged that the Covid-19 pandemic has contributed to the pressures, however.<br><br>**Risk: The Annual Audit Report may contain a limitation of scope, which would come to the attention of External Audit.** | **It is important for all staff to engage in the audit process and SLT should emphasise the importance of clear engagement and communication with Internal Audit.** | **Response**<br>This concern was discussed at the Strategic Leadership Team on 1 February 2022. The Group Manager (Assurance) was in attendance representing NCC Internal Audit.<br><br>**Date for implementation**<br>Completed at SLT on 1 February 2022<br><br>**Officer responsible for implementation**<br>Head of Finance |

# Nottinghamshire County Council

| **Internal Audit Report** | | **Report ref: 2021-08** |
|---|---|---|

**OFFICIAL SENSITIVE**

**To:**     **The Chief Fire Officer, Notts Fire and Rescue Service**

**Subject:**     **NFRS - Asset disposal procedures**

**Date:**     **March 2022**

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## 1     Introduction

1.1     The purpose of the review is to examine disposals records to confirm compliance with the policy and procedures and to assess whether the Fire Service actions support best practice in relation to land and property, fleet and operational equipment and ICT equipment disposals.

.2     A mandatory disposals policy (POL 2125) along with associated policies and procedures have been established and is aimed at guaranteeing NFRS controls the disposal of all assets via an auditable approval route, ensuring risks are managed, best value is achieved, and the corporate branding is protected.

## 2     Audit opinion

2.1     In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.

2.2     In our opinion the level of assurance we can provide is: -

**LIMITED ASSURANCE     Risk levels are high**

## 3     Risk areas examined

3.1     During this audit we looked for controls to address the following key risks: -

| Risk title | Description |
|---|---|
| Policies and Procedures | Policies and procedures may be inadequate in relation to disposals procedures or there may be a lack of compliance with policies. |
| Audit Trail | Records of disposals may not be adequately maintained, or records may not be retained in accordance with the retentions policy. |
| Information Security | The process for removing data from ICT equipment may be inadequate and may result in the loss of sensitive or confidential data to third parties. |
| Disposal Method | Assets may not be disposed of in line with disposal route detailed in the policy or approved on the disposal form. |

3.2     The scale of the area reviewed is: -

| Metric (from balance sheet) | Asset Valuations as at 31st March 2020 £000 | Asset Valuations as at 31st March 2021 £000 | Difference |
|---|---|---|---|
| Land and Buildings | 56,555 | 56,630 | 75 |
| Vehicles, Plant and Equipment | 6,953 | 6,679 | (274) |
| Totals | 63,508 | 63,309 | (199) |
| Assets disposed of during the year | 15 | 235 | |

## 4     Audit findings

4.1     Following our work, we consider the controls to be effective in the following risk areas: -

- **Disposals Policies and Procedures** - there is a comprehensive policy (POL 2125) which sets out the requirements for disposing of assets (excluding land and property) appropriately in a safe, secure, and auditable manner, outlining control measures to ensure best practice and best value is achieved. This applies to ICT and office equipment, fleet and equipment and other tangible assets.
- **Audit Trail** - systems are in place to record and reflect the disposal status of assets in sufficient detail. This includes separate systems for the recording of fleet and equipment (Tranman), land and property (Concerto) and ICT equipment (Asset Register Database).
- **Disposal Method** - the assets disposal policy sets out specific ways in which assets may be disposed of via approved routes which offer best value and requires the appropriate manager approval according to type of asset and value.

4.2     There were some control weaknesses and some failures to comply with the standard controls, resulting in remaining risks. The attached Action Plan sets out these weaknesses, and our recommendations to address them.

4.3     A summary of the recommendations made, together with brief details of the related findings, is set out below: -

| Priority level | Number of Recommendations | Recommended action timescales |
|---|---|---|
| Priority 1 | 4 | Immediate |
| Priority 2 | 2 | Within two months |

**Priority 1 areas:**
- Records of the disposal of fleet and equipment is incomplete in the Tranman system.
- Some records in relation to fleet and equipment disposals in the last 4 years could not be located, although records should be retained for 6 years in line with policy and best practice.

- The ICT asset database does not include adequate details in terms of value of assets, reason for and status of disposals.
- Surplus, redundant ICT equipment has not been disposed of for several years.

**Priority 2 areas:**
- The disposal procedures for land and property are not included in the Estates policy as specified in the Asset Disposals Policy and Financial Regulations.
- ICT were not able to provide details of any recent disposals under the Waste Electrical and Electronic Equipment (WEEE) Regulations so testing of compliance could not be undertaken.

4.4    No advisory actions were discussed during the audit.

**Audit conducted by: Angela Wendels**
**Senior Auditor**

**Audit supervised by: Philip Dent**
**Audit Supervisor**

**Rob Disney, Group Manager Assurance**

| Audit Finding | Recommendation | Management Response |
| --- | --- | --- |
| **Priority 1 areas**<br>(Fundamental for effective governance, risk management and internal control, must implement recommendations to improve existing arrangements) | | |
| **1. Tranman System - Completeness of Records**<br>A review of records showed that Tranman records for the disposal of vehicles and equipment are incomplete. From the list of 187 assets identified as disposed of in the last six years, less than half include the date the item was commissioned, disposed of or the disposal method as shown below:<br><br>| *Details* | Date Commissioned | Disposal Date | Disposal Method |<br>| --- | --- | --- | --- |<br>| *Amount with dates* | 87 | 78 | 81 |<br>| *Blanks* | 100 | 109 | 106 |<br><br>The Assets Disposal Policy para 2.1.5 requires that the asset management database be updated once an asset has been disposed of.<br><br>In addition, the disposals policy states asset disposal should be undertaken in such a way as to ensure best value is achieved by NFRS. The Tranman database captures details in relation to the purchase and sale of assets, but does not include purchase price, estimated value at the point of disposal or any sales proceeds. The addition of such data could provide additional management insight into whether best value has been achieved.<br><br>**Risk:** Incomplete or inaccurate audit trail of assets disposed of may be recorded. Lack of evidence to demonstrate effective stewardship of public funds. | a. **Tranman should be updated once an asset has been disposed of to ensure that records are complete and accurate.**<br><br>b. **Consideration should be given to including purchase and sales proceeds in the database for transparency purposes and to provide better management information.** | **Response**<br>Will be incorporated in all future disposals.<br><br>**Date for implementation**<br>With immediate effect.<br><br>**Officer responsible for implementation**<br>Head of Procurement and Resources / Engineering Manager |

| Audit Finding | Recommendation | Management Response |
|---|---|---|
| **2. Fleet and Equipment Disposals Records**<br><br>We selected a sample of 10/187 disposals (between 2018 and 2021) to carry out a detailed review of adherence to the disposals policy. Records in relation to the sample were limited, due in part to a move of headquarters and archiving of paper records. We were therefore unable to provide full assurance concerning compliance.<br><br>We did examine records provided in relation to 5/10 transactions and found the following: | **Records in relation to disposed of assets should be kept 6 years in accordance with the records retentions policy.**<br><br>**Implementation of recommendation 1a should ensure that accuracy of records in Tranman is maintained.** | **Response**<br>Will be incorporated in all future disposals.<br><br>**Date for implementation**<br>With immediate effect.<br><br>**Officer responsible for implementation**<br>Head of Procurement and Resources / Engineering Manager |

| Item Disposed of | Accuracy of Records | Comments |
|---|---|---|
| Vehicle FE02AVY | Shown in Tranman as 'donation' when sold for £2,400 | Approval evidenced and matches method of disposal |
| Vehicle FJ13ZKU | Tranman shows as sold by auction and records confirm this. | No evidence of approval to dispose provided |
| Vehicle FJ11AGU | Approved and shown as auctioned with estimated value £4,000 | No evidence of actual sale provided |
| ANG0343 – Angus Pump | Shown in Tranman as donation | Disposal form completed and marked for donation |
| Vehicle FJ57CXM | Sold at auction for £3,720 but method of disposal blank in Tranman | No evidence of approval to dispose. |

The above indicates inaccuracies in Tranman records and a lack of complete audit trail in terms of disposal approvals and sales.

The Asset Disposal Policy para 2.6 and the Record Retention Schedule Policy set out requirements to retain records in relation to the disposal for a minimum of 6 years.

**Risk:** Lack of evidence to demonstrate effective stewardship of public funds and compliance with the Policy.

| Audit Finding | Recommendation | Management Response |
| --- | --- | --- |
| **3. Record of Disposal of ICT Equipment**<br>ICT equipment is recorded on the asset database, however the purchase date, cost of asset, reason for and method of disposal are not recorded. Also, when an asset is decommissioned, it currently appears as having been disposed of, even when this is not the case. This is a flaw with the system that is expected to be addressed.<br><br>Whilst financial information in relation to the cost or disposal values of ICT equipment is not currently recorded, it is intended that this would be included in the future and used alongside the rolling replacement programme. Improvements are also planned in terms of recording assets no longer in use as 'expired' until they have been physically disposed of.<br><br>**Risk:** The database of assets may be out of date or incomplete or there may be lack of evidence to demonstrate effective stewardship of public funds. | **The planned changes to the ICT asset database concerning financial data and disposal status should be undertaken along with populating the date of purchase, reason and method of disposal.** | **Response**<br>Agreed.<br><br>**Date for implementation**<br>September 2022<br><br>**Officer responsible for implementation**<br>Area Manager Corporate Support and ICT |

| Audit Finding | Recommendation | Management Response |
| --- | --- | --- |
| **4. Disposal of Surplus ICT Equipment**<br>The ICT team have recently completed a programme of replacement and the replaced items have been decommissioned for disposal. However, we were advised that ICT have not disposed of any assets in the last 3 years, except for a few minor items via WEEE waste as outlined above.<br><br>We have identified from the 2020/21 accounts, that additions of £255k have been made to replace old equipment and provide for working from home, thus indicating potentially high levels of surplus equipment in need of disposal. Furthermore, the Fire Service is currently in the process of moving premises, meaning that surplus equipment will have to be relocated or held in storage and no completed disposal forms in relation to this equipment could be provided.<br><br>**Risk:** Theft or misappropriation of assets and data. | a. **Surplus ICT equipment should be disposed of promptly and in accordance with the assets disposal policy.**<br><br>b. **Considering the limited assurance around the disposals of ICT equipment, an audit should be undertaken in 2022/23 to confirm the recommended actions have been undertaken and revisions to the ICT database have taken effect.** | **Response**<br>Agreed.<br><br>**Date for implementation**<br>September 2022 (recommendation a)<br>March 2023 (recommendation b)<br><br>**Officer responsible for implementation**<br>Area Manager Corporate Support and ICT |

| Audit Finding | Recommendation | Management Response |
| --- | --- | --- |
| **Priority 2 areas (**highly desirable for effective internal control, should implement recommendations to improve existing control arrangements) | | |
| **5. Disposals of Land and Property**<br>The Assets Disposals Policy (POL 2125) para 1.1.5 states that the disposal of land and buildings are subject to separate authority policies within the scheme of financial management. Financial Regulations para 4.28 states that the Fire Authority's process and procedures regarding the disposal of surplus land and property are in the Estates Policies, however from discussions with the Head of Procurement and Resources, there are no such Estates Policies which include the disposal of surplus land and property.<br><br>**Risk:** Disposals and land and property may not be subject to appropriate controls. | **The procedures in relation to the disposal of surplus land and property should be formally set out, approved, and made available to relevant staff to comply with.** | **Response**<br>Will include in new property strategy.<br><br>**Date for implementation**<br>December 2022<br><br>**Officer responsible for implementation**<br>Head of Procurement and Resources |

| Audit Finding | Recommendation | Management Response |
| --- | --- | --- |
| **6. Compliance with WEEE Regulations**<br>We were advised that several electrical ICT assets, with no residual value were disposed of through a contractor and that these disposals were undertaken in accordance with WEEE regulations in 2019.<br><br>Items disposed of by the 3rd party under the data destruction and WEEE contract should provide certificates for any such disposals. However, ICT were not able to provide details of any recent disposals, certificates, or approvals for disposal, so testing of compliance could not be undertaken.<br><br>**Risk:** The Fire Service may be prosecuted if they cannot not demonstrate compliance with WEEE Regulations. | **Confirmation that WEEE Regulations have been complied with should be obtained and recorded on the Concerto database to ensure accuracy and completeness.** | **Response**<br>Agreed.<br>Report being reviewed by SLT to ensure compliance to existing procedures is complied with by all departments.<br>**30 April 22**<br><br>Disposal Policy to be reviewed and updated to create requirement for all disposal forms to be held centrally and records updated on Concerto. **September 22.**<br><br>Responsibility for ICT disposals be allocated to a post within the team. All ICT staff to be made aware of requirements of disposal policy. **30 April 22**<br><br>**Date for implementation**<br>See above<br><br>**Officer responsible for implementation**<br><br>Becky Smeathers (SLT review)<br><br>Head of Procurement (Disposal Policy)<br><br>Damien West (ICT compliance) |

| **Internal Audit Report** | Report ref: 2021-05 |

**OFFICIAL SENSITIVE**

**To:** **Chief Fire Officer**

**Subject:** **NFRS – Performance Management**

**Date:** **March 2022**

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## 1 Introduction

1.1 We planned to carry out an audit of the Service's arrangement for Performance Management. This would cover the focus of performance management, the establishment of a set of performance indicators, the accuracy of performance indicators, the reporting of performance, and the rectification of underperformance.

1.2 Following discussion with the Service the scope of our review was determined to be performance in the following four areas:

- Service Delivery (Response, Protection & Prevention only)
- Strategic Plan
- Reporting to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)
- Reporting to the Home Office.

## 2 Risk areas to be examined

2.1 The audit planned to look for controls to address the following key risks: -

| *Risk title* | *Description* |
|---|---|
| Scope | The scope of Performance Management is not clearly defined and embedded. |
| Indicators | Performance Indicators are not robustly established |
| Calculation | Performance is not correctly calculated |
| Reporting & Monitoring | Performance Indicators are not properly reported and monitored |
| Underperformance | Underperformance is not addressed |

## 3 Audit opinion

3.1 In our opinion the level of assurance we can provide is: -

**NO ASSURANCE**

**We have not formed an opinion as we were unable to proceed beyond the 'stated controls' stage of the audit, to the testing of these controls.**

.

A summary of the limited progress made, and a proposal to revisit this subject matter in next year's audit plan, are set out below.

## 4       Audit process

4.1     Following agreement of the scope of the audit, our work follows the process outlined below:

(a) Expected Controls are issued to the auditee.

(b) We discuss the Expected Controls with the auditee and identify what the auditee considers to be in place in respect of these controls.  We record these as the Stated Controls. We will request some evidence to understand or support the controls.

(c) Any weaknesses identified from the above discussion (i.e. where Stated Controls fall short of the Expected Controls) are noted and, from these, we will raise findings to be included later in the Draft Report's Action Plan.

(d) We produce a Testing Strategy, which is a series of audit tests to assess the existence and effectiveness of the Stated Controls.

(e) Where this testing finds that controls are effective, we will raise positive findings to be included in the Draft Report's Executive Summary.  Where the testing finds weaknesses in the controls, we will raise findings to be included in the Draft Report's Action Plan.

(f) A report is produced, which includes the findings and associated recommendations.  The report is first issued as a Discussion Draft, then later as a formal Draft, and then as a Final report which includes the auditee's responses to the recommendations.

4.2     On this audit, the discussion of the Expected Controls took place on 14 June 2021, which is stage 4.1(b) above.  The Stated Controls were recorded at this meeting.  The Expected Controls and Stated Controls are included in appendix 1 to this report.  However, delays were experienced in the provision of evidence we requested to understand and support the controls. A large amount of information was provided on 29 & 30 July 2021, but further information has not been provided, most significantly the performance reports for HMICFRS and the Home Office.  As a result, the audit was unable to proceed beyond this stage 4.1(b).

4.3     The Action Plan on the following page contains proposals on how the audit of this subject area can proceed in the next financial year.

**Audit conducted by: Andrew Howarth**
**Senior Auditor**

**Audit supervised by: Philip Dent**
**Audit Supervisor**

**Rob Disney, Group Manager Assurance**

| **Audit Recommendation** | **Management Response** |
|---|---|
| **1. An audit of Performance Management should be included in next year's audit plan**. | **Response**<br>Agreed<br><br>**Officer providing response**<br>Head of Finance |
| **2. The scope of the audit should be revisited and clarified.**<br><br>(a) The audit should focus on performance in the area of Service Delivery - Response, Protection & Prevention.<br><br>(b) If the scope is to include the HMICFRS and Home Office performance reports these should be provided to us before the audit commences.<br><br>(c) It should be clarified whether there are – or should be - any performance reports on the Community Risk Management Plan (CRMP), or whether this should be removed from the scope. We consider that the reports provided on progress against the Strategic Plan were reports on actions rather than performance. | **Response**<br>Agreed – scope to include the HMICFRS and Home Office performance reports.<br><br>The new CRMP comes into force in April 2022. Can discuss when agreeing the scope whether to include in the audit as mechanisms will be in place but evidence of actual monitoring will depend on timing of the audit.<br><br>**Officer providing response**<br>Area Manager, Corporate Support |
| **3. The methods and channels of communication for this audit should be reconsidered.**<br><br>(a) Because of Covid-19 restrictions all our communications on this audit were on-line. Now that restrictions are easing it might be more productive to include visits to the Service in a future audit.<br><br>(b) All of our communications on this audit were with the Area Manager, Corporate Support, and we were not referred to any other staff. That might be appropriate, but it could be that there are less senior staff also involved in Performance Management that we could pursue future enquiries with. | **Response**<br>Agreed<br><br>**Officer providing response**<br>Area Manager, Corporate Support |

**Appendix 1    Expected and Stated Controls**

Set out below are the Expected Controls, and Stated Controls, produced in the initial stages of the audit as summarised in paragraphs 4.1(a) & (b) above.

**Risk Area 1 - Scope of Performance Management**

| Expected Controls | Stated Controls -Summary | Stated Controls – Further Details |
|---|---|---|
| 1.1 - There is a Performance Management Policy that sets out the responsibilities and structure for performance management and reporting, and this has been implemented | In place, but the Performance team is being recruited to. | There is a Policy.  The structures in the policy are all in place.<br>This is overseen by the Area Manager's team.  The team is in its infancy.   A new structure began on 1 June.  The Group Manager is in place.  They are recruiting a BI Manager and an Evaluation Officer. |
| 1.2 - There is a defined set of performance reports for each audience | In place. | Each audience / group has a standard agenda.<br><br>This includes the Combined Fire Authority (CFA), Performance and Programme Board (PPB), Strategic Leadership Team (SLT) and Service Delivery Evaluation and Assurance Group (SDEAG).<br><br>Other key Performance Indicators are currently being developed for the PPB by the performance e.g. sickness, attendance.<br><br>HMICFRS gets 6-monthly performance data.<br><br>The Home Office gets monthly reports. |
| 1.3 - The indicators in these reports cover the most important / key issues for that audience | In place. | This is indicated as met by the notes at 1.2 above. |
| 1.4 - The indicators are appropriate for that audience | This was to be tested on the audit. | This was to be tested on the audit. |
| 1.5 - The indicators are agreed by that audience – including a periodic review and update to ensure they remain appropriate | Not in place. | This has not been in place for the past 18 to 24 months but is now to be introduced, starting with SLT and then cascading down. |

**Risk Area 2 - Indicators Established**

| Expected Controls | Stated Controls -Summary | Stated Controls – Further Details |
|---|---|---|
| 2.1 - There is an overall system / review to confirm that the definition of all indicators meet SMART quality criteria, i.e. specifically defined (and outcome-based), measurable, achievable (with targets), relevant, timebound. | Not in place. | There is no process in place to control this aspect centrally. It is down to each data owner. At present there is no separate Quality Assurance. The new BI Manager will manage this. |
| 2.2 - The targets are designed to achieve continuous improvement (which is a strategic plan action, and Local Authority Act requirement) | In place. | Key outputs (e.g. safe & well visits, response times, fire safety audits) have targets that are ambitious, and performance is improving. Productivity has been demonstrated over the last few years. |
| 2.3 - Each indicator is allocated to an owner | In place. | This can be easily identified. Done through SLT and the data owner in the department. |

**Risk Area 3 – Accuracy**

| Expected Controls | Stated Controls -Summary | Stated Controls – Further Details |
|---|---|---|
| 3.1 - The owners of each indicator have responsibility, which is reviewed and monitored, to ensure that:<br>• The data source is reliable, complete, accurate and up-to-date<br>• Performance calculations are accurate<br>• Performance is calculated in a timely manner | Not in place, although the responsibilities are defined in the policy para 5.7. | This is the biggest area for improvement. Many issues have been identified on data quality and internal and external reporting. This affects all three parts of the control. Staff process data but are not data experts, there is no Quality Assurance, and data can be presented even if clearly inaccurate, and inconsistent with other reports.<br><br>Steps are being taken to address this. There is now a process for the data owner to Quality Assure/sign off the data. |
| 3.2 - Indicators that do not meet the above criteria are identified and addressed | Not in place, as above. | As noted at 3.1 above, steps are being put in place to address this. |

**Risk Area 4 - Reporting and Monitoring**

| Expected Controls | Stated Controls -Summary | Stated Controls – Further Details |
|---|---|---|
| 4.1 - Each performance report has an owner who is responsible for the production of the report | In place. | This is clearly identified and is on the meeting agendas. It is normally a principal officer. |
| 4.2 - There is an overall check that the indicators in each report are complete and timely | In place. | This is done through line management. |
| 4.3 - The reports are well-presented to enable the level of performance to be easily understood | Believed to be in place. | The SDEAG look at this, and reports go through a number of levels before they get to CFA, so the presentation is well checked. |
| 4.4 - Reports are provided to relevant audiences at regular intervals and sufficient frequency | In place. | The frequencies are set as standard agenda items. CFA / committees are quarterly PPB is monthly SDEAG is monthly |
| 4.5 - Summary reports (e.g. to the overall authority) are also provided at sufficiently frequent and regular intervals | In place. | This can be seen on the website |

**Risk Area 5 – Underperformance**

| Expected Controls | Stated Controls -Summary | Stated Controls – Further Details |
|---|---|---|
| 5.1 - Areas of underperformance are identified | In place. | See 5.2 below. |
| 5.2 - Actions are agreed to address underperformance | In place. | The amount of attention given to this is proportionate to the level it is reported to. |
| 5.3 - Actions are monitored to ensure underperformance is rectified. | In place. | This can be demonstrated at different levels. There is not a lot of underperformance. |

| 5.4 - Resources are prioritised to ensure underperformance is addressed in key areas | In place. | Additional resources have been provided e.g.to address Area for Improvement 9 (AFI 9) from the HMICFRS inspection, relating to the provision of risk information from mobile data terminals on fire engines. |
| --- | --- | --- |