



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

INTERNAL AUDIT ANNUAL REPORT 2021/22

Report of the Chief Fire Officer

Date: 24 June 2022

Purpose of Report:

To bring to the attention of Members the annual report prepared by the Authority's Internal Auditors, which includes the Internal Audit Plan for 2022/23.

Recommendations:

It is recommended that Members:

- Note the contents of this report.
- Approve the adoption of the Internal Audit Charter attached at Appendix E.

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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 Finance and Resources Committee receives the Internal Auditor's annual report in accordance with its role as an audit committee.
- 1.2 The annual report for 2021/22 is attached in full as Appendix A to this report.
- 1.3 Under the provisions of the Code of Practice on Local Authority Accounting, the Authority is required to annually review its arrangements for the provision of Internal Audit and comment on that review. This report sets out the basis of that review and the annual report includes proposed developments for 2022/23.

2. REPORT

NOTTINGHAMSHIRE COUNTY COUNCIL INTERNAL AUDITOR'S REPORT

- 2.1 The Internal Audit Annual Report for 2021/22 is attached at Appendix A.
- 2.2 The Auditors have provided a view on the internal control environment and conclude that:
- “Based on the coverage and detailed outcomes, overall, we consider the collective evidence provides reasonable assurance concerning the arrangements in place for corporate governance, risk management and the control environment.”* (see Section 12)
- 2.3 Seven audits have been finalised during the 2021/22 financial year. Four of these were presented to Finance and Resource Committee on 22 April. The remaining 3 audits are appended to this report (Appendices B-D). These 3 audits were given assurance levels of substantial. A summary of the 7 audits is provided in Table 1.

Table 1 – Summary of 2021/22 Audits

Report	Assurance Level	Presented to F&R
Payroll and ITrent	Substantial	April 22
Financial Management Code	Reasonable	April 22
Asset Disposals	Limited	April 22
Performance Management	None – due to insufficient evidence.	April 22
Ethical Policies and Procedures	Substantial	See Appendix B
Pensions Administration	Substantial	See Appendix C
Facilities Management	Substantial	See Appendix D

- 2.4 More details on all of the audits can be found in the Internal Audit Annual Report attached at Appendix A.
- 2.5 The Public Sector Internal Audit Standards (PSIAS) recommend that the internal audit opinion should conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report provides an assurance level of "Substantial Assurance" in both of these areas (see sections 31 and 32).
- 2.6 In addition to the audits undertaken by Internal Audit, the service has had external validation of our procedures regarding Water Rescue and Working at Height. Working practices in both of these areas have been amended as a result of these evaluations – please see sections 34 to 37 for more information.
- 2.7 Appendix B of the Annual Report shows the internal audit plan for 2022/23 which has been agreed by the Head of Finance / Treasurer following consultation with the Strategic Leadership Team. There is sufficient flexibility to amend the plan if circumstances require alternative work to be carried out by the Auditors in the year.

REVIEW OF INTERNAL AUDIT

- 2.8 The requirement for an Authority to maintain an Internal Audit function is derived from local government legislation, including Section 112 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015 in that a relevant body must:

"maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices"

- 2.9 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.
- 2.10 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.
- 2.11 These assurances, however, can only be relied upon providing the internal audit service is adequate to meet the needs of the organisation and is provided professionally.
- 2.12 The Internal Audit Service of the Authority 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.

- 2.13 CIPFA published a guide on the role of the Head of Internal Audit in 2019 which identified 3 development areas for 2021/22 as set out in the table below:

Development Area	Update
Adoption of an Audit Charter	Included in this report for adoption – see Appendix E.
Revised approach to an intelligence-based internal plan.	Planning now systematically includes more forward focused audits of current risks, developments and emerging trends.
Closer engagement with the Strategic Leadership Team (SLT) and Chair of the Finance and Resources Committee.	Head of Internal Audit now periodically attends SLT when audit matters are discussed.

- 2.14 Proposed developments for 2022/23 include the embedding of the Audit Charter and an improved co-ordination of audit planning to ensure audits can be completed in a timelier manner (see section 50).
- 2.15 There are regular reviews of audit plans and progress by senior managers and the audit team to monitor the work being carried out.
- 2.16 The External Auditors, in their general review of controls and as part of their specific annual audit, are required to comment on the adequacy or otherwise of Internal Audit. To date they have always been satisfied that the work of Internal Audit is sufficient for them to rely on their audit work and that the service is effective.

3. FINANCIAL IMPLICATIONS

Indirect financial implications relating to policy, procedure updates and staff training are contained within the 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 is a report relating to the Authority's performance rather than new or amended policy.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

Internal Audit is a mandatory function within fire authorities. The Local Government and Finance Act 1988 and Accounts and Audit Regulations 2015 identify a fire authority as a "relevant body", responsible for maintaining an adequate and effective internal audit function.

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 annual report 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

It is recommended that Members:

- 10.1 Note the contents of this report.
- 10.2 Approve the adoption of the Internal Audit Charter attached at Appendix E.

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

None.

Craig Parkin
CHIEF FIRE OFFICER

**Head of Internal Audit's Annual Report 2021/22
Report to the Chief Fire Officer, Nottinghamshire Fire & Rescue Service and
Nottinghamshire and City of Nottingham Combined Fire Authority**

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Purpose of report

1. To provide the Head of Internal Audit's Annual Report for 2021/22, including our opinion on the adequacy of the Nottinghamshire and City of Nottingham Combined Fire Authority's (CFA's) arrangements for governance, risk management and control.

Requirement for internal audit

2. The practice of internal audit within fire authorities is mandatory. The **Local Government Finance Act 1988** and **Accounts and Audit Regulations 2015** identify a fire authority as a '**relevant body**', responsible for maintaining an adequate and effective internal audit function.
3. The internal audit function is purposed to review, assess, and report on the governance, risk management and control environment established by management to:
 - determine and monitor the achievement of objectives
 - identify, assess, and appropriately manage the risks to achieving objectives
 - facilitate policy and decision making
 - ensure the economical, effective, and efficient use of resources
 - ensure compliance with policies, procedures, laws, and regulations
 - safeguard assets and interests.
4. It is also expected to comply with the **Public Sector Internal Audit Standards (PSIAS)**, and guidance from the **Chartered Institute of Public Finance and Accountancy (CIPFA)**.

Fulfilment of requirements

5. The CFA has an annually renewable agreement with Nottinghamshire County Council (NCC) for the provision of internal audit services. An Internal Audit Charter has recently been prepared - see under **Performance of Internal Audit**.
6. We endeavour to review the key areas of governance, risk management and control environment over a multi-year cycle, as agreed with the Service. Our coverage is intended to take account of, and be complementary to, other sources of assurance provision. This annual report reviews both our own, and this independent, assurance.
7. Our mutual roles and responsibilities align with those prescribed in the PSIAS as follows:
 - **Chief Audit Executive (CAE)** - Interim Chief Internal Auditor (currently acting as CAE)
 - **Senior Management** - Strategic Leadership Team (SLT)
 - **Board** - Finance and Resources Committee
8. The other aspects of our compliance with PSIAS and CIPFA guidance are set out in this report and under **Performance of Internal Audit**.

Audit approach and coverage

9. In 2021/22, and in early 2022/23, up to the time of compiling this annual report, we carried out and completed the following: -

Provision	Description
Audit assurance reviews	Completing the assurance reviews in the agreed plan, issuing reports, making recommendations, and agreeing actions.
Action tracking	Following up the implementation of agreed actions from audit reports issued in 2020/21, plus key outstanding actions from reports issued before that.
Anti-fraud questionnaire	Completing a counter-fraud questionnaire for the external auditors, Ernst and Young LLP.
Review of overall arrangements	Mapping various sources of assurance for corporate governance and risk management and providing an assurance opinion on each. Also, reviewing the assurance about the arrangements to address topical health and safety risks for: water rescue; working at heights; and complying with Government legislation and guidance on Covid-19. (All these areas were first covered in the 2020/21 annual audit report, as our coverage was reduced that year.)

10. Throughout 2021/22, Internal Audit continued to operate independently within the organisation. **No impairments** to its independence arose during the year. Nonetheless, the pandemic continued to present an ongoing challenge, potentially putting the delivery of planned internal audit work at risk. In 2020/21 CIPFA had issued guidance for Heads of Internal Audit to assess the impact of Covid-19 locally, and to determine whether a 'limitation of scope' should be applied to the year-end opinion. Our self-assessment of audit coverage against this guidance confirmed that **no limitation of scope** is required, as we have sufficient sources of evidence available to determine our opinion (see next para).

Audit opinion

11. Based on the coverage (above) and detailed outcomes (below), overall, we consider the collective evidence provides **reasonable assurance** concerning the arrangements in place for corporate governance, risk management and the control environment. The rationale for this opinion is as follows:

- Although we issued a limited assurance opinion in one report (asset disposals) and were unable to reach an opinion on another (performance management) the other reports provided either substantial or reasonable assurance.
- There were positive outcomes from following up the implementation of agreed actions from previous audit reports.
- Other sources provided positive assurance in relation to corporate governance and risk management.

Audit assurance reviews

12. *PSIAS states that: 'Adequate control is present if management has planned and organised in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and effectively.'*

13. Mostly, assurance reviews result in the issue of an opinion on the internal controls, the opinions being categorised as follows:

- **Substantial Assurance:** arrangements are effective at managing the risks and achieving the objectives, with no or few control weaknesses of significance.
- **Reasonable Assurance:** most arrangements are effective, but there are control weaknesses considered to be of greater significance.
- **Limited Assurance:** as there are some fundamental control weaknesses, the arrangements pose an unacceptable level of risk in those areas.

14. If we find control weaknesses or identify test failures, we make recommendations to improve the controls, or compliance with them, and endeavour to agree with management the actions to be taken. We categorise actions according to a priority level:

- **Priority 1 recommendations:** fundamental for effective arrangements, must implement to improve the controls and mitigate the most serious risks.
- **Priority 2 recommendations:** desirable for effective arrangements, should implement to improve the controls.
- **Advisory recommendations:** may also be raised in feedback to advise further on how to improve the controls.

15. In the areas reviewed, we provided the following opinions, and made the following number and priority level of recommendations: -

Assurance level (RAG)	Report	Recommendations	
		Priority 1	Priority 2
Limited	Asset disposal procedures	4	2
Reasonable	CIPFA Financial Management Code	0	4

Assurance level (RAG)	Report	Recommendations	
		Priority 1	Priority 2
Substantial	Payroll	0	0
	Ethical policies and procedures	0	5
	Facilities management	0	1
	Pensions administration	0	0
None issued	Performance management	3	0

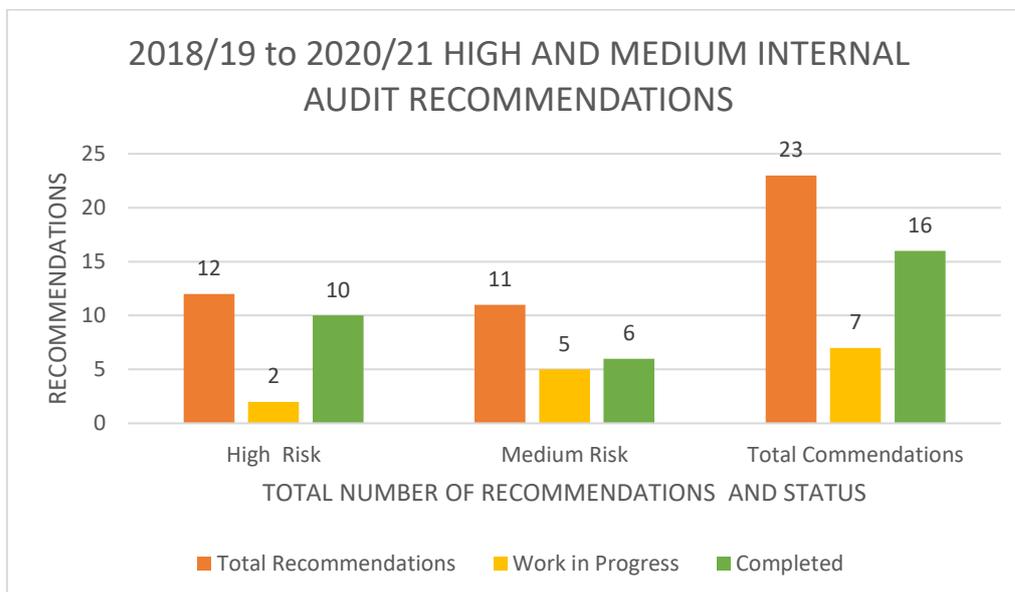
16. Ordering each report by the date of completion (oldest first), the breakdown of recommendations and actions have been: -

Reports and key dates	Recommendations/Actions
Payroll (Ref. 2021-05) Draft 15/11/21, Final 18/11/21 F&R Cttee 22/04/22	None
CIPFA Financial Management Code (Ref. 2021-09) Draft 24/01/22 Final 15/03/22 F&R Cttee 22/04/22	Leadership - Several policies and procedures on governance arrangements to be updated in accordance with revision schedule. Accountability – More robust procedures to prevent budget overspending. Professional standards - Financial Regulations, Financial Procedures and Statement of Financial Principles to be updated. Assurance – Post Covid-19, NFRS to provide NCC Internal Audit with more support to undertake and complete internal audit reviews.
Performance management (Ref. 2021-07) Draft 24/01/22 Final 16/03/22 F&R Cttee 22/04/22	As we were unable to proceed beyond ‘stated controls’ stage of the audit to testing of controls: Further audit to be included in 2022/23 audit plan. Scope of audit to be revisited and clarified. Methods and channels of communication to be reconsidered.
Asset disposal procedures (Ref. 2021-08) Draft 28/02/22 Final 24/03/22 F&R Cttee 22/04/22	Records of fleet and equipment disposals in Tranman system to be updated. Supporting records to be retained for six years in line with policy and best practice. ICT asset database to contain fuller disposal details. Accumulated surplus of redundant ICT equipment to be disposed of. Land and property disposal procedures to be included in Estates Policy as specified in Asset Disposals Policy and Financial Regulations. Compliance with Waste Electrical and Electronic Equipment (WEEE) Regulations to be recorded in Concerto database.
Ethical policies and procedures (Ref. 2021-06) Draft 16/03/22 Final 09/05/22	The Policy Hub, as the repository of all policies, to be complete. Online register of employees’ interests to be populated by all with any interests to declare.

Reports and key dates	Recommendations/Actions
F&R Cttee 24/06/22	Remind all staff and members of need to declare gifts and hospitality received. All policies and procedures to have Equality Impact Assessments, with a focus on those before such assessments became routine. Continue with plans to automate collection of information from exit interviews.
Facilities management (Ref. 2021-03) Draft 23/05/22 Final 06/06/22 F&R Cttee 24/06/22	Station condition audits to be planned in on a more formal basis, to ensure proper maintenance, safety, and security.
Pensions administration (Ref. 2021-04) Draft 27/05/22 F&R Cttee 24/06/22	None on controls. We did provide a copy of the results of the data testing to NFRS management for further review, including: <ul style="list-style-type: none"> • High value positive and negative payments/amounts recovered • Zero payments • Bank account name different from ex-employee

Action tracking

17. **PSIAS** states that: ‘The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action’.
18. The standard process is that NFRS Finance requests and evaluates updates from action owners every six months, together with evidence of implementation, reports to SLT, and informs Internal Audit. For priority 1 actions, the evidence should be obtained and tested to confirm implementation.
19. Owing to the ongoing impact of the pandemic, NFRS Finance was only able to undertake one round of action tracking. In the Fire Service’s **Action Tracking report** to its SLT, it identified the following outcomes:



20. The report identified ‘a number of areas which are still identified as work in progress, despite it being in excess of a year since the audits were completed. Some of these are due to delayed projects or issues around covid. Work is continuing in these areas to draw the issues to a close.’ It added: ‘It is anticipated to bring regular reports to the CRMP Assurance Board in the future to provide updates regarding progress around audit reports.’

Counter-fraud

21. *The International Standard on Auditing (UK) 240: The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements* requires external audit to make enquiries of internal audit about the risk of fraud occurring that might materially affect the financial statements.
22. The latest questionnaire from Ernst and Young received during 2021/22 related to the previous – i.e., to the 2020/21 - financial year.
23. We reported no knowledge of actual, suspected, or alleged fraud in 2020/21 (or since). Daily cyber-attacks are numerous (c.700 attempts a week) but are thwarted.
24. We noted the CFA is protected by its **Counter Fraud, Money Laundering, Corruption and Bribery Policy**, which states: ‘In respect of employees, the Authority’s disciplinary rules are such that fraud and corruption are considered to be issues of potential gross misconduct and if proven, would normally result in dismissal’. Also ‘We have zero-tolerance towards bribery’. It includes a scored fraud risk assessment that consists of treasury management; sale of assets; payroll; procurement; key decision makers; and expenses claims – with mitigating controls also being identified. The Policy was last updated in April 2018 and so is overdue for review.
25. The Authority also has a section on **Preventing Fraud and Corruption** in its **Financial Regulations**.
26. The Fire Service participates actively in the **National Fraud Initiative (NFI)** – the national data matching exercise. In 2020/21, it investigated 148 data matches, cleared 146 of them, and found no fraudulent or potentially fraudulent matches. (There were just two, minor, errors: a VAT overpayment of £52 on one creditor’s sales invoice, which would be recoverable; and a duplicated creditor record although, with transactions on only one record, having no financial impact.). We have received no further information for 2021/22.
27. Internal Audit is highly conscious of potential fraud risks when conducting its annual need assessment for the annual audit plan – fraud risk is one of the factors. Individual audit programmes are also risk-based – if the fraud risk is high or medium, it will be in scope. Internal Audit is moving away from wholly sample-based testing to a more data analytical approach, which is more likely to detect weak controls over fraud, or possible evidence of fraud itself.

Assurances on governance and risk management (see also Appendices A & B)

28. **PSIAS** states: ‘The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control’.
29. In 2019, Ernst and Young requested that our annual reports in future covered the adequacy and effectiveness of the Fire Service’s framework of corporate governance and risk management (as well as internal control).
30. Internal Audit uses assurance mapping to identify and assess the sources of assurance – primarily, governance documents, risk registers and committee reports. Assurance maps summarise, group, and rate evidence according to the so-called ‘three lines model’:
- **1st line** – management policies, strategies, plans and controls, and internal support functions.

- **2nd line** – compliance oversight, especially evident in reports to committees.
 - **3rd line** – external assurance, mostly auditors and inspectors
31. For **corporate governance**, **APPENDIX A** provides the details for **substantial assurance**:
- Governance arrangements at all three lines of assurance are comprehensive and adaptable.
 - Standards, policies, strategies, plans, and budgets are prepared or reviewed.
 - Performance and financial information and data are monitored and reported on regularly.
32. For **risk management**, **APPENDIX B** provides the details for **substantial assurance**:
- There is clear accountability for risk, and ownership of individual risks.
 - Significant risks linked to strategic goals are identified, assessed, and reviewed. Risk mitigations are identified.
 - There are protections against fraud and cyber risks.

Assurances on topical health and safety issues

33. We followed up with the Head of Risk Assurance and the Operational Training Risk and Assurance Manager about the outcome of reviews of water rescue and working at heights; and complying with Government legislation and guidance on Covid-19.
34. **Water rescue:** Following a training incident and fatality suffered by the Mid and West Wales FRS in September 2019, the Marine Accident Investigation Branch (MAIB) had prepared an accident report. NFRS's Operational Assurance Department then prepared its own report with recommendations for the Operational Learning Board in February 2021.
35. For this annual report, it was confirmed that water rescue and boat operations have now been changed and safer practices absorbed into business as usual. The National Fire Chiefs' Council (NFCC) produced guidance on sector training and competency standards as a direct consequence of the accident, which NFRS is in the process of adopting. This is how much of its operational training content is now defined and delivered, so it is seen as routine practice.
36. **Working at heights:** There had been another training incident and two injuries involving Northamptonshire FRS, around 2016. At that time, the NFRS reviewed its own arrangements, and an action plan was put in place. This was followed by an internal re-audit in around 2019 to provide assurance that the necessary actions had been completed. A further specialist audit review had been planned for 2020/21 but was delayed due to Covid-19.
37. It was confirmed that a safe work at height and rope rescue audit was finally able to be completed in April 2022 by Outreach Rescue. The final report was provided to the Service in May 2022 and found the Service and the working at height to be compliant; however, it has provided areas of good practice which are being taken forward as recommendations.
38. **Compliance with rules on managing Covid-19 risks:** Unlike 2020/21, the risk and assurance staff decided against doing further audits of compliance with Covid-19 rules in a documented way. However, compliance remained the responsibility of such as the Business Management Group (BCMG), the Health and Safety Team, District Station Managers, and the Service Development Centre (SDC) training centre. The CFO or Deputy CFO provided regular updates. There was continued use of the Covid-19 library, Operational Information Notes (OINs), action cards and posters, and the Strategic intent was reviewed and updated.

39. All rules and good practice remained in place until the Government started to reduce its controls, and the Service followed those subsequent requirements. As guidance changed and controls were lifted, return to work assessments were managed within each team. However wherever possible, an agile working procedure was created to allow more working at home.

Performance of Internal Audit

40. A summary of Internal Audit performance is shown below:

Indicator	Performance
Job completion	Six assurance reviews fully completed, and one partly completed (Performance Management, to resume in 2022/23).
Days spent	92 planned days fully utilised, the work continuing into early 2022/23.
Timeliness of reporting	Five draft reports issued before 31/3/22: two after.
Recommendations	100% agreed.
Action tracking	One of two planned exercises completed by NFRS Finance and reported to SLT, using template provided by Internal Audit.
Auditor experience	Four reviews by senior auditors; three reviews by apprentice internal auditors under the close supervision of senior auditors.
Customer feedback	Average client satisfaction score of 3.4 from three completed questionnaires.

41. The Head of Internal Audit carries out an **annual self-assessment** of compliance against PSIAS. This incorporates the requirements of the Local Government Application Note (LGAN), which provides additional advice and guidance to providers of internal audit services to local government organisations, including fire authorities. The self-assessment is used to form the basis of the annual Quality Assurance and Improvement Programme (QAIP) for the service.
42. The outcome of the latest self-assessment was included in the Internal Audit Annual Report to NCC's Governance and Ethics Committee on 9/6/22. It provided significant assurance that the Internal Audit service conducted its work with due professional care, applied a systematic, risk-based approach to the assurance work it delivered, and staff performed their duties with due regard to the code of ethics set out in the standards.
43. Nonetheless, the QAIP identified some scope for improved compliance, with an action plan to provide a focus for continuous improvement in 2022/23. Key themes centre around a review of the Team's resources against its foreseeable workloads and operation of previous restructure. This will incorporate a review of approaches and capabilities in the deployment of specialist ICT audit resources. Also, continuous update of our Audit Manual to keep pace with professional changes, ensuring staff understand and consistently comply with core audit quality processes.
44. In addition, the Internal Audit function is subject to an **External Quality Assessment (EQA)** once every five years. The most recent EQA was carried out in March 2018, and so the next one is due in 2023.
45. In 2020/21 there was discussion with the NFRS Head of Finance about **CIPFA's 2019 edition of the Role of the Head of Internal Audit**. Comparison of the audit approach for the Fire Service identified the following proposed actions to ensure continuous improvement:
- Drafting and adoption of an **Internal Audit Charter** – this would go further than the contractual terms for the delivery of the internal audit service, setting out the status of

the service within the wider governance framework, along with clear statements about relative roles and responsibilities.

- Formalise the approach to an **intelligence-based internal audit plan**, blending coverage of core processes and systems with more forward-focused audits of current risks, developments, and emerging trends.
- Linked to the above, **closer engagement** with the SLT and Chairman of the Finance and Resources Committee, to ensure the internal audit service is well aligned to deliver the most relevant and impactful assurance to management and the Board.

46. Arising from the above, the following actions were agreed and implemented:

Agreed action	Implementation
a) Draft an Internal Audit Charter for consideration and adoption by the SLT and the Finance & Resources Committee.	Draft issued on 27/05/22.
b) Formally agree a revised approach to audit planning.	Audit universe amended and expanded for 2022/23; attended SLT to consult on proposals.
c) Strengthen engagement through periodic meetings between the Head of Internal Audit and the Chairman of the Finance and Resources Committee and the SLT.	Head of Internal Audit met with Chairman of Finance and Resources Committee and SLT; Audit Supervisor attended Finance and Resources Committee.

Audit planning for 2022/23 to 2024/25 (see also Appendix C)

47. **APPENDIX C** provides the annual audit plan and incorporates the provisional three-year plan. Plans are derived from an audit universe consisting of all previous audits and other potential audits, which is subject to risk assessment and subsequent consultation with the Head of Finance and SLT. The number of chargeable days for the delivery of each review is given, plus time for action tracking, assurance mapping, annual reporting, and other client facing support.
48. In moving towards more intelligence-based internal audit planning, for 2022/23 we have endeavoured to blend coverage of core processes and systems (i.e., budget management, corporate governance, and risk management) with more forward-focused audits of current risks, developments, and emerging trends (i.e., the vehicle maintenance contract with Via, regionalisation and joint working, and cyber security).
49. Likewise, the three-year plan proposals include areas that have not been reviewed before (e.g., workforce planning, commissioning, business continuity planning, community relations, environmental/carbon footprint, and ICT strategy.)

Proposed developments for 2022/23

50. The following actions are proposed for 2022/23:

Proposed development	Target completion
a) Improve co-ordination of audit engagements, and all engagements to be scoped.	All engagements to be scoped and finished, and final reports issued, by 31/3/23, in sufficient time for inclusion in annual audit report for 2022/23.
b) Embed Internal Audit Charter.	To adhere to Internal Audit Charter during 2022/23.
c) An action plan to provide for continuous improvement of Internal Audit and implementation of QAIP.	Action plan to be completed by 31/3/23; summary outcomes to be reported.
d) Successful completion of EQA.	Due by 31/3/23 or thereabouts; summary outcomes to be reported.

51. We trust that a professional service will continue to be provided, founded on an effective working partnership.

Philip Dent, Audit Supervisor

Simon Lacey, Interim Chief Internal Auditor

2021-22 NCC Internal Audit Annual Report for NFRS

Appendix A – Assurance Map for Corporate Governance

1st Line

Key annual assurance documents prepared: Assurance Statement 2020-21; Information Governance report 2020-21; Governance Statement 2020-21

People Strategy 2020-22 and New Workforce Plan 2021-23

SLT implement strategy and policy decisions of CFA

Internal groups to manage transformation and change e.g., Performance & Programme Board; Joint HQ Programme Board

2nd Line

Authority approved 2022-23 budget and council tax rise

Committee coverage included:

Community Safety: Service Delivery Performance reports every three months

Finance & Resources: CIPFA Financial Management Code; External & Internal Audit

HR: Agile Working; Equal Pay; Equalities Monitoring; Equality, Diversity & Inclusion Statements

Policy & Strategy: Review of Consultation Framework; Review of Constitutional Framework; Pensions Annual Report

3rd Line

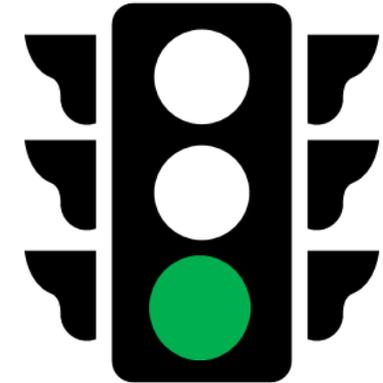
Ernst & Young (EY) issued unqualified letter for 2019-20, and positive interim report for 2020-21

HMICFRS inspections: 2019 final action implemented; 2021 'hot debrief 'recognised improvement journey since 1st round inspection'

2nd HMICFRS national State of Fire report – six recommendations from 1st report still valid

Internal Audit assurance on Ethical Policies & Procedures and Financial Management Code

Adoption of NFCC's National Fire Standards; monitored six-monthly



Opinion: Substantial assurance (green)

Rationale:

Governance arrangements are comprehensive and adaptable.

Plans and budgets are prepared, reviewed, and implemented.

Performance and financial information and data are monitored and reported regularly.

Developments & Actions:

Following consultations, new 2022-25 Strategic Plan due to be finalised and approved

Following HMICFRS debrief but prior to inspection report, Service has developed draft action plan ready for launch

Appendix B – Assurance Map for Risk Management

1st Line

Updated April 2022 Corporate Risk Register (CRR)

New Community Risk Mgt. Plan (CRMP) 2022-25 – per NFCC guidance & CRMP Fire Standard

Annual Delivery Plan (ADP) 2022-23 - for CRMP actions

Active CRMP Assurance Board

Active member of Notts Local Resilience Forum (LRF)

Business Continuity Mgt. Group (BCMG) led Covid-19 response

Financial risk assessments done to confirm adequacy of reserves etc to support 2022-23 budget

2nd Line

Finance & Resource Committee approving latest updated CCR every six months

Authority approved CRMP & ADP

Committee coverage included:

Community Safety: Notts Fatal Fires Review 2021 & actions; Safe & Well Visits for fire safety

Policy & Strategy: Service Learning from Covid-19; Futures 2025 Efficiency Strategy to achieve efficiency savings

3rd Line

Specialist company facilitated Fire Cover review for Strategic Assessment of Risk (SAoR) that preceded CRMP

HMICFRS national thematic inspection of Covid-19 response 2021 & letter to NFRS of Jan-21

Phase 1 Grenfell Tower Inquiry report 2019 & ongoing action plan

EY interim report 2020-21 - no matters to report on fraud (e.g., misstatements) or inherent risks (e.g., valuations)



Opinion: Substantial assurance (green)

Rationale:

There is clear accountability and ownership for risks.

Significant risks linked to strategic goals are identified, assessed, and reviewed. Risks are mitigated.

There are protections against fraud and cyber risks.

Developments & Actions:

Further report on Futures 2025 Efficiency Strategy to Fire Authority meeting in September 2022

Phase 2 Grenfell Tower Inquiry Report due in 2022 – some coverage during HMICFRS Inspection

2021-22 NCC Internal Audit Annual Report for NFRS - Appendix C.xlsx

Audit reviews/tasks	Audit need assessment	no recent audits	Past and current audits - with opinion					Plan	Future plan proposals	
			2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Core processes										
Payroll	High	N/A	substantial				substantial		11	
Retained firefighters' remuneration	Medium	N/A		substantial						
Members' & officers' expenses & allowances	Medium	N/A		reasonable						
Pensions administration	High	N/A					substantial		11	
Workforce planning & employee recruitment	High	no recent						11		
Property & premises	Medium	N/A	reasonable							
Facilities management	Medium	N/A					substantial			
Transport management	Medium	N/A								
Fuel recharges	Low	N/A			substantial					
Vehicle maintenance contract	Medium	no recent					11			
Commissioning	High	no recent						11		
Purchasing & creditor payments	Medium	N/A	reasonable			reasonable				
Purchase cards	Low	N/A				reasonable				
Contract management (see vehicle mtce contract)	High	N/A		reasonable				11		
Income & debtors	Low	N/A	reasonable							
Capital programme	Medium	N/A			reasonable					
Asset management (incl. disposals)	Medium	N/A	reasonable				limited			
Financial management (incl. CIPFA FM code)	Medium	N/A		substantial			reasonable			
Budget management	High	no recent					11			
Treasury management	Medium	N/A	reasonable			substantial				
Counter-fraud & counter-corruption	Low	no recent							11	
Project management	Medium	N/A	reasonable							
Corporate governance	High	N/A		reasonable			11			
Ethical Code	Medium	N/A					substantial			
Health and safety	High	N/A		limited				11		
GDPR & information governance	Medium	N/A			no opinion				11	
Performance management - testing	High	N/A					no opinion	8		
Regionalisation & joint working	Medium	no recent					11			
Risk management	High	no recent					11			
Business continuity planning	High	no recent						11		
Community relations	Medium	no recent							11	
Environmental/carbon footprint	Medium	no recent							11	
ICT service desk	Medium	N/A			reasonable					

2021-22 NCC Internal Audit Annual Report for NFRS - Appendix C.xlsx

Audit reviews/tasks	Audit need assessment	no recent audits	Past and current audits - with opinion					Plan	Future plan proposals	
			2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Information security (physical security of data)	Medium	N/A			no opinion					
Cyber security	High	no recent					11			
ICT strategy, transformation & change	Medium	no recent						11		
ICT access management	Medium	no recent							11	
Cardiff Checks	Low	N/A	no opinion	no opinion	reasonable	substantial		11		
Prince's Trust		N/A		limited						
Jobs deferred at request of management						1				
Jobs assigned to other assurance providers						2				
Asset Disposal follow up	High						3			
Total review days							77	77	77	
Other tasks										
Action tracking of previous recommendations							2	2	2	
Annual audit report (2021-22)							5	5	5	
Assurance mapping (part of annual audit report)							4	4	4	
Client management - planning and reporting, Cttee							4	4	4	
Total days							92	92	92	

To: Chief Fire Officer

Subject: NFRS – Ethical Policies & Procedures

Date:

1 Introduction

- 1.1 We have carried out a review of the policies and procedures that the Service has put in place to ensure that all of its staff maintain high ethical standards in their activities within the Service and with the public and external parties.
- 1.2 The objectives of a framework for ethical standards is to provide policies and procedures to guide staff in maintaining their ethical standards of behaviour, ensure that this guidance is available and communicated to staff, that it is complied with, and that this compliance is monitored.

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: -

<i>Risk title</i>	<i>Description</i>
Policies & Procedures	Policies & Procedures are not in place or out of date
Communication	Policies & Procedures are not communicated to staff
Compliance	Policies & Procedures are not used and complied with
Monitoring and Reporting	Policies & Procedures – their use and effectiveness are not monitored and reported upon

3.2 All 760 staff are subject to the Service's Code of Ethics, and are required to complete related training.

4 **Audit findings**

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

- **Policies & Procedures.** The Service has adopted the national Code of Ethics that was produced in May 2021 for all fire services. This is supported by the Service's own Code of Conduct that was updated and reissued with the Code of Ethics. A Behavioural Framework has been developed as the primary method to embed ethical values and behaviours in the Service. This is based on four values (we are professional, one team, open to change, and we value and respect others) with related behaviours. The Code of Conduct is also supported by a comprehensive set of policies and procedures to ensure ethical behaviour, in areas that include bullying and harassment, employees' interests, gifts & hospitality, bribery and whistleblowing. The ethical values of suppliers are also identified during the procurement process.
- **Communication.** The new Code of Ethics is supported by an Implementation Plan and a Communication Plan, on which good progress has been made, especially on key aspects. The Behavioural Framework is the primary method to embed ethical values and behaviours in the Service. This is supported by a recently introduced, relevant and informative eLearning training module on Behaviour Matters which all staff have to complete. At the time of our review in early March 2022 this was making good progress with 78% of staff having completed it, with a target for 100% by April 2022. The Code of Ethics, Code of Conduct, Behavioural Framework and all supporting policies and procedures are available to staff through the intranet. New staff are made aware of these through the induction procedures. There is also training available on other aspects relevant to ethics, and workshops have been held which supplement and reinforce the Behaviour Matters training.
- **Compliance.** The staff Performance and Development Reviews (PDRs) include scoring staff against the four values in the Behavioural Framework, which is the primary method to embed ethical values and behaviours in the Service. The PDR completion rate is high, at 97% in 2021/22. Cases of harassment and bullying, disciplinary, grievances and whistleblowing are very low or zero. A register is maintained for staff to declare gifts and hospitality received.
- **Monitoring and Reporting.** Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) is to integrate the national Code of Ethics into its inspection framework. Its June 2019 report required improvement to ensure that values and behaviours are understood and demonstrated at all levels of the organisation. Progress on this was reported as complete to the Human Resources (HR) committee in January 2021, one of the actions to achieve this being the above Behavioural Framework. A staff survey is undertaken every 2 years, and another is due in 2022 - the 2020 scores relevant to ethics all showed improvement and were generally high – these were on understanding and demonstrating values, and eliminating discrimination, harassment, bullying and abuse. Data on cases of harassment and bullying, disciplinary, and grievances, are reported quarterly to the HR committee. The annual governance statement summarises compliance with the code of corporate governance, one of its principles including behaving with integrity and demonstrating strong commitment to

ethical values. Exit interviews are offered to all staff and ask questions that identify issues relating to ethics.

4.2 There were some lesser control weaknesses, 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: -

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
Priority 1	0	Immediate
Priority 2	5	Within two months

Priority 2 areas:

- Not all policies are in the Policy Hub - others can be found elsewhere.
- The on-line register of employees' interests has no entries in it.
- A year-end reminder to record entries in the register of gifts & hospitality is only sent to the Senior Leadership Team.
- There is no evidence of an Equality Impact Assessment on the policy on Counter Fraud, Money Laundering, Corruption and Bribery.
- Plans to automate the collection of information from exit interviews should be continued.

4.4 No advisory actions were discussed during the audit.

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

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

Rob Disney, Group Manager Assurance

Internal Audit report 2021-06	ACTION PLAN NFRS – Ethical Policies & Procedures	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Priority 2 areas (Desirable for effective governance, risk management and internal control, should implement recommendations to improve existing arrangements)		
<p>1. Policy Hub All of the policies and procedures within the scope of this review are available to staff on the intranet. There is a Policy Hub which included some of these, although others were found elsewhere. These were the policies on Counter Fraud, Money Laundering, Corruption and Bribery, Register of Employee’s Interests, and Gifts & Hospitality.</p> <p>Risk: Policies are not as easy to find as they could be.</p>	<p>If the Policy Hub is intended to be a repository of all policies, it should be complete.</p>	<p>Response Agreed. These have now been added</p> <p>Date for implementation Completed</p> <p>Officer responsible for implementation Head of Corporate Support</p>
<p>2. Declarations of Employees’ Interests Declarations of interest were previously declared on a manual form. This has since been automated and they are now registered on a SharePoint site on the intranet. On our visit, in February 2022, there were no entries in this.</p> <p>Risk: The register of employees’ interests is not as easy to review as it could be, and might not be up-to-date.</p>	<p>The on-line register of employees’ interests should be populated, with all employees asked to populate the on-line register if they have any interests to declare.</p>	<p>Response Agreed. This policy has now been circulated via Sharepoint.</p> <p>Date for implementation 30 April 2022</p> <p>Officer responsible for implementation Head of Finance</p>

Internal Audit report 2021-06	ACTION PLAN NFRS – Ethical Policies & Procedures	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>3. Register of Gifts & Hospitality received A register is maintained for staff to declare gifts and hospitality received. This included recent entries. The number of entries is low but that is not unexpected. At the year-end a reminder is sent to Senior Leadership Team (SLT) members to record entries in the register.</p> <p>Risk: Whilst SLT members may be most likely to receive gifts and hospitality, the policy applies to all staff and members, and these could be omitted from the register.</p>	Periodically remind all staff and members of the need to declare gifts and hospitality received.	<p>Response Agreed. Circulated Gifts and hospitality policy via Sharepoint</p> <p>Date for implementation 30 April 2022</p> <p>Officer responsible for implementation Head of Finance</p>
<p>4. Equality Impact Assessments Equality Impact Assessments are carried out on new policies and procedures. Within the scope of this review the policy on Counter Fraud, Money Laundering, Corruption and Bribery was the only one with no evidence of an Equality Impact Assessment. This policy was created in December 2004 but has been updated since then.</p> <p>Risk: Policies might not be fair or enable participation of all groups of staff.</p>	Ensure that all policies and procedures have an Equality Impact Assessments, with a focus on policies that were created before such assessments became routine.	<p>Response Agreed</p> <p>Date for implementation As Policies renewed</p> <p>Officer responsible for implementation Strategic Leadership Team</p>

Internal Audit report 2021-06	ACTION PLAN NFRS – Ethical Policies & Procedures	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>5. Themes from Exit Interviews Currently the exit interview documentation is a manual process. To enable the responses to be better identified and analysed, there is an intention to automate the process on the iTrent HR system.</p> <p>Exit interviews are offered to all staff and ask questions that identify issues relating to ethics. These include questions on morale, leadership, fairness, equality of opportunities, dealing with unfair or harassing/bullying behaviour, and the opportunity to give general comments. The responses come to HR to identify any concerns.</p> <p>Risk: Concerns raised in exit interviews could be more easily reported and analysed, enabling a more efficient identification of actions to be taken.</p>	<p>Continue with plans to automate the collection of information from exit interviews.</p>	<p>Response Agreed</p> <p>Date for implementation 31 March 2023</p> <p>Officer responsible for implementation Head of People & Organisational Development</p>

OFFICIAL SENSITIVE

To: Chief Fire Officer, Notts Fire and Rescue Service
Deputy Chief Fire Officer
Chair of the Nottingham and Notts Combined Fire Authority
Chair of the Finance and Resources Committee
Head of Finance, and Treasurer to the Fire Authority
External Auditor (Ernst Young)
NFRS Payroll Manager

Subject: NFRS – Pensions Administration

Date: May 2022 [Click here to enter text.](#)

1 Introduction

- 1.1 The NFRS Pensions team administer the collection of pension contributions from NFRS employees and the distribution of pension payments to retired scheme members and their dependents.
- 1.2 The purpose of this review was to examine the controls established by management to ensure the proper administration of NFRS pensions.
- 1.3 As part of our review, we used the IDEA auditing software to carry out audit testing on the complete population of pension records provided by NFRS. This software can be used to identify anomalies, large and unusual items, any errors and potentially fraudulent transactions.
- 1.4 WYPF provide a secure employers portal for the flow of information between NFRS and WYPF. WYPF provide access and manage access to this area provide log on details to each individual within NFRS who needs access.

2 Audit opinion

- 2.2 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.
- 2.3 In our opinion the level of assurance we can provide is: -



SUBSTANTIAL - Risk levels are low

3 Risk areas examined

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

<i>Risk title</i>	<i>Description</i>
Governance	Governance arrangements may not be in place to ensure the proper management of the pension funds.
Requested Data	Data required by West Yorkshire Pension Fund may be provided incorrectly, resulting in: <ul style="list-style-type: none"> • processing delays • inaccuracy of data held, • correct contributions and distributions not being correctly determined.
Personal Data	Personal Data may not be held securely, with the potential for breaches of data protection regulations.
Accounting	Appropriate accounting and reporting procedures may not be in place to manage payments into, held by, and paid out of, the pension fund.

3.3 The financial scale of the area reviewed (at 2020/21) is set out in the latest Pension Net Asset Statement: -

2019 / 20 £000		2020 / 21 £000
	Contributions Receivable	
	Fire Authority:	
(5,181)	- Contributions in relation to pensionable pay	(5,129)
(73)	- Other (Ill Health Retirements)	(112)
(2,312)	Firefighters' contributions	(2,329)
(7,556)	Total Contributions Receivable	(7,570)
	Transfers in from other authorities	
(56)	Transfers in from other schemes	(29)
	Benefits Payable	
13,659	- Pensions	14,181
3,619	- Commutations and lump sum retirement benefits	1,953
26	Lump sum death benefits	0
21	Other	40
17,325	Total Benefits Payable	16,174

3.4 The numbers of pensioners and employees contributing and receiving pension payments each year are obviously fluid, as new members will join the scheme, retire, leave and die at various times, but the fund typically pays out between £8 - £10m each year. As the contributions do not cover the payments the Government covers the cost in the form of grants.

3.5 The number of scheme members is set out below:



4 Audit findings

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

- Governance – Appropriate governance and reporting arrangements have been established and are being adhered to, with responsibilities formalised. Reporting requirements being met and a risk register and risk assessments in place. Appropriate segregation of duties has been applied and benchmarking is applied against the cost of other organisations and other funds.
- Requested Data – Processes to verify data are in place and accuracy of data is checked upon input.
- Personal Data – Personal data is being managed in accordance with data protection requirements, with access to systems properly restricted and data retention policies being applied.
- Accounting – Appropriate accounting, reconciliations of pensioner and contributor numbers and payments in and out of the scheme are being applied and appropriate reporting processes are in place. Statements are being issued in accordance with the legal requirements.

4.2 Details of the testing approach using IDEA are included in paragraphs 4.3-4.7 below. We have produced no formal findings or recommendations based upon this testing, as we consider the overall controls in place to be sound. However, we have provided a copy of the detailed results to NFRS management, as IDEA testing has identified some anomalies which we consider need to be examined and, where necessary, addressed.

4.3 Using the IDEA software, we were able to stratify pension payments into bands by value. This allowed us to identify high value amounts (both positive, and negative) and also a number of zero values. Zero payments are unusual and the obvious concern with any large amounts paid, or recovered, is that, while they may be perfectly legitimate, their size could indicate that the amounts involved have been built up over a lengthy period and may have resulted from delays in processing.

4.4 We extracted the dates of birth of payees to examine them for any anomalies. No issues were noted from this testing. Only one payee was noted that was over 100 years old and any payments made to people under working age, correctly related children's pensions.

4.5 We examined bank accounts - comparing the bank account details to the list of employee names. IDEA identified a number of cases where the account name(s) differed from that held on the NFRS employee list. Clearly, some people do not have a bank account and payments will be paid to the account of a family member, or to another nominee. Other differences can be explained by initials rather than full names being used, or by bank account details not being changed after marriage, or divorce, for example. The testing, however, identified a small number of cases where the spellings of names were different on the back account and

employee records. These need to be examined and possibly corrected, to ensure that accurate records are being maintained.

- 4.6 The final test we completed, examined national insurance numbers. Legitimate employees must have a valid national insurance number and in some organisations there have been cases of fraud identified, where NINOs have been fabricated. Valid NINOs are required to be in a specific format - with only certain combinations of letters and numbers being allowed. Where these are not used, this could indicate fraud. Our review of the NINOs being used, indicated that all of those in use were genuine and no temporary numbers were being used.

Audit conducted by: Emily Jackson

Audit supervised by: Wade Lowther

Simon Lacey, Interim Chief Internal Auditor

OFFICIAL SENSITIVE**To: The Chief Fire Officer, Notts Fire and Rescue Service****Subject: NFRS - Facilities Management****Date: June 2022****1 Introduction**

- 1.1 The purpose of the audit was to review the processes and procedures in place to manage and maintain the Fire Authority premises and fixed equipment and ensure they meet operational requirements at an acceptable cost.
- 1.2 Buildings and property maintenance records are maintained in the Concerto Computer Aided Facilities Management system. This also includes the recording of certificates of compliance with legislative requirements and management of planned and reactive maintenance. This report sets out the findings and recommendations arising from a review of the Fire & Rescue Service's facilities management processes and systems.

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: -

<i>Risk title</i>	<i>Description</i>
Completeness and Accuracy of Records	Failure to maintain facility management records for all properties owned and leased by NFRS.
Maintenance of Premises	Inadequate stock condition surveys and maintenance programmes to properly maintain land and buildings and ensure safety and security.
Contract Management	Failure to competitively select, appoint and manage contractors leading to poor contract performance or value for money.

<i>Risk title</i>	<i>Description</i>
Management Information	Failure to monitor property performance/costings, leading to loss or waste.

3.2 The scale of the area reviewed is: -

<i>Metric</i>	<i>Value as at 31st March 2021</i>
<i>Property - 26 Buildings (including 23 Fire Stations)</i>	<i>£56.626m</i>
<i>Fixed Assets (including fleet)</i>	<i>£6.679m</i>
<i>Estimated Planned Maintenance Contract Value for 2020/21</i>	<i>£387k</i>

4 Audit findings

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

- **Completeness and accuracy of records**
 - There is an approved maintenance policy in place to ensure that all properties and fixed equipment are properly maintained and recorded.
 - Comprehensive property and maintenance records are recorded on the Concerto database.
- **Maintenance of premises**
 - There is a planned programme of maintenance in place and works are carried out in accordance with this.
- **Management information**
 - Key Performance Indicators (KPIs) to monitor contractor performance have been established in the Concerto database, and these are used to assess performance and address any issues.
 - Payment for works is made only when works have been confirmed, this is monitored as part of the KPIs.
 - Monthly contract monitoring meetings have allowed management to highlight poor performance.
- **Contract Management**
 - The contract was tendered in accordance with procurement rules in 2020/21, although this contract has since been terminated and an alternative provider has been engaged through a framework agreement.

4.2 We identified a control weakness, resulting in the remaining risks. The attached Action Plan sets out this weakness and our recommendation to address it.

4.3 The recommendation made, together with brief details of the related finding, is set out below: -

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
Priority 1	0	Immediate
Priority 2	1	Within two months

Priority 2 area:

- **Station Condition Audits:** Only ad-hoc station condition audits have been carried out to establish any health and safety risks at premises, leading to potential inadequacies in the reporting or maintenance processes.

4.4 In addition to the findings presented in the Action Plan, advisory actions were discussed with management relating to:

- The update of all rates on the upcoming yearly schedule for the new maintenance contract to be reflected in Concerto as soon as possible to ensure accuracy in the contract charges.
- A contract review with the newly appointed maintenance contractor (since April 2022), to be arranged along with regular reviews thereafter.

**Audit conducted by: Patrick Hoban
Apprentice Internal Auditor**

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

Simon Lacey, Interim Chief Internal Auditor

Internal Audit report 2021-03 - June 2022	ACTION PLAN NFRS - Facilities Management	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Priority 2 areas (Desirable for effective governance, risk management and internal control, should implement recommendations to improve existing arrangements)		
<p>1. Station Condition Audits</p> <p>We are advised that although station condition audits are periodically carried out, this has been on an ad-hoc basis.</p> <p>Site security audits have also been undertaken and findings have been reported to the Security Steering Group. This has identified security risks and an action plan which recommends a more formal planned regime for site security audits. However, such a regime has not been established for station condition audits.</p> <p>Risk: The absence of site condition audits and surveys could lead to inadequately maintained land and buildings, required to ensure safety and security.</p>	<p>Station condition audits should be planned in on a more formal basis moving forwards, to ensure properly maintained land and buildings, required for safety and security.</p>	<p>Response</p> <p>NFRS will review the regularity of station condition inspections and schedule these going forwards.</p> <p>Date for implementation June 2022</p> <p>Officer responsible for implementation Estates Manager</p>

Nottinghamshire and Nottingham City Fire Authority Internal Audit Charter

1. INTRODUCTION

- 1.1 This Charter defines the role of Nottinghamshire County Council's Internal Audit Service working on behalf of the Nottinghamshire and Nottingham City Combined Fire Authority (CFA). Internal audit services are presently provided under an annual contract and this document aligns with that contract.
- 1.2 This Charter complies with the Public Sector Internal Audit Standards 2017, the Local Government Finance Act 1988, the Accounts and Audit Regulations 2015 and the Nottinghamshire Fire and Rescue Service (NFRS) Financial Regulations. It has been approved by the Combined Fire Authority (CFA).
- 1.3 The Council's responsibilities and services to be provided are set out in Schedule 1 to the contract and the relevant charges are included in Schedule 2.

2. MISSION OF INTERNAL AUDIT

- 2.1 To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

3. CORE PRINCIPLES

- 3.1 The Internal Audit Service should strive for compliance with the following 10 core principles for the professional practice of internal auditing, as set out in the Public Sector Internal Audit Standards:
 - Demonstrates integrity
 - Demonstrates competence and due professional care
 - Is objective and free from undue influence (independent)
 - Aligns with the strategies, objectives and risks of the organisation
 - Is appropriately positioned and adequately resourced
 - Demonstrates quality and continuous improvement
 - Communicates effectively
 - Provides risk-based assurance
 - Is insightful, proactive and future-focused
 - Promotes organisational improvement.

4. LEGAL FRAMEWORK

4.1 Under s112 of the Local Government Finance Act 1988 the CFA:

'...shall make arrangements for the proper administration of its financial affairs' and ensure that *'...one of its officers has responsibility for the administration of those affairs'*.

4.2 The Accounts and Audit Regulations 2015 designate the CFA as a 'relevant authority' under the act and:

S5(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (a) make available such documents and records; and
- (b) supply such information and explanations as are considered necessary by those conducting the internal audit.

(3) In this regulation 'documents and records' include information recorded in an electronic form.

4.3 The requirements, powers and responsibilities relating to Internal Audit are also set out in the CFA Financial Regulations:

4.16 Internal Audit shall be appointed by the Finance and Resources Committee in consultation with the Treasurer. In appointing internal audit, the Committee will have regard for any relevant guidelines and audit standards issued by CIPFA.

4.17 Internal Audit will have the authority to:

- Enter the premises or land used by the Fire Authority at any time
- Have access to all correspondence, documents, books or other records of the Fire Authority and the Fire Authority's employees.
- To require any explanation from Members or Employees of the Fire Authority considered necessary to establish the correctness of any matter under examination.
- To require any employee of the Fire Authority to produce cash, stores or other Fire Authority property under his/her control
- To report independently of the Treasurer, to the Finance and Resources Committee and/or Fire Authority if deemed appropriate.

5. CONTRACTUAL ROLES AND RESPONSIBILITIES

- 5.1 Under the contract, the Finance and Resources Committee of the CFA will act as it's "board".
- 5.2 The role of NFRS senior management is fulfilled by the NFRS Treasurer who is the NFRS Head of Finance, along with the NFRS Strategic Leadership Team.
- 5.3 The role of the chief audit executive is fulfilled by the Group Manager – Assurance, who is responsible for meeting the requirements of this Audit Charter and complying with the Public Sector Internal Audit Standards. The Group Manager – Assurance reports directly to the CFA and to Council's Section 151 officer.

6. THE ROLE OF INTERNAL AUDIT

- 6.1 The role of Internal Audit is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 6.2 It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

This involves:

- (a) carrying out a risk-based review and evaluation of CFA and NFRS systems and procedures, covering all major aspects of internal control.
 - (b) completing reviews of the organisation's risk management and corporate governance arrangements, through annual assurance mapping processes designed to both identify key risks and evaluate the main sources of assurance applied by the CFA and NFRS to mitigate them.
 - (c) providing the CFA members and NFRS management with advice and assurance to assist them in the effective discharge of their responsibilities in relation to the CFA and NFRS.
- 6.3 The resourcing of Internal Audit is required to be kept under continuous review.
 - 6.4 Internal Audit may be requested to carry out consultancy work under the contract. This is work designed to assist management in the achievement of the Authority's objectives. The work involved may cover facilitation, process design, training, advisory services and investigatory work. For each assignment, specific terms of reference will be agreed up with NFRS to define the scope and limits of the work involved.

7. AUDIT PLANNING

- 7.1 Audit planning is based on addressing key strategic and operational risks, in consultation with the Head of Finance and SLT. Audit plans are intended to be complementary to other assurance provision.

8. AUDIT REPORTING

- 8.1 The processes outlined above will lead to the production of Internal Audit reports for the Chief Fire Officer and Finance and Resources Committee of the CFA for each of the areas it examines. These reports will be accompanied by covering reports from the NFRS Head of Finance.
- 8.2 At the end of each financial year, Internal Audit will submit an annual report to the Chief Fire Officer and the Finance and Resources Committee of the FCA. This report will provide an opinion upon the quality of the corporate governance, risk management and internal control environment established by the CFA and will also include details of Internal Audit's performance.
- 8.3 Internal Audit will focus upon the NFRS control environment and independently appraise the internal controls present in NFRS systems. The arrangements made by the NFRS's Head of Finance for securing economic, efficient and effective use of resources are also reviewed. Internal Audit reports are produced, containing recommendations which should be responded to formally in writing by the appropriate head of department or senior officer and comments received will be incorporated into the final document, which will be issued in accordance with an agreed distribution list.

9. INDEPENDENCE AND OBJECTIVITY

- 9.1 As a part of NCC, Internal Audit is independent of NFRS. This means that it can provide impartial and unbiased professional opinions and recommendations. Internal Audit is free to report on its work upon each assignment, in accordance with the terms established within the contract.
- 9.2 The status of the Group Manager – Assurance is sufficient to allow the effective discussion of audit strategies, plans, results and improvement plans with senior management in NFRS and the CFA.
- 9.3 Internal Audit is required to review the resources available to it on a regular basis to ensure that they are sufficient to fulfil its responsibilities under the contract. It will report the results of the review to the CFA as part of its annual planning process.
- 9.4 The Group Manager – Assurance is required to ensure the organisational independence of the internal audit activity and has the right to direct and unrestricted access to senior management and CFA Members.

9.5 Individual internal auditors are also required to have an impartial, unbiased attitude and avoid any conflict of interest. To meet this requirement, each auditor is required to complete an annual declaration of any interests they have that could have an impact on their audit work and confirm that they have read the Authority's Code of Conduct for employees. Any possible conflicts will be considered at the point that work is allocated. If independence or objectivity is impaired, either in fact or appearance, the details of the impairment must be disclosed to the relevant parties.

10. PROFICIENCY AND DUE PROFESSIONAL CARE

10.1 Internal Audit operates in accordance with the Public Sector Internal Audit Standards. Compliance with the Standards is reviewed annually by the Group Manager - Assurance.

10.2 A thorough recruitment process, in accordance with the Authority's procedures, applies to the appointment of staff to ensure that Internal Audit has the appropriate professional skills and experience to fulfil its objectives. Internal auditors are appointed in line with professional guidance and qualifications to undertake their roles in line with NCC recruitment practices.

10.3 Internal Auditors have an annual review of their performance and development needs. They are provided with the appropriate training to fulfil their responsibilities and to maintain their professional development and competence.

11. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

11.1 Audit work is reviewed by supervising officers in line with the quality requirements established in the Internal Audit Manual, and compliance with the Public Sector Internal Audit Standards is reviewed on annual basis by the Group Manager – Assurance and independently every five years by a qualified, independent assessor from outside the organisation.

11.2 The Group Manager – Assurance, in conjunction with the Council's Governance and Ethics Committee will determine the form of external assessment, the required qualifications and independence of the assessor and the frequency of the assessment.

11.3 Internal Audit takes the following actions to provide a professional service:

- Adopts a flexible, risk driven approach, working in partnership with clients, management and staff to develop and maintain adequate and reliable systems of internal control.
- Continually seeks to improve the effectiveness and efficiency of its services in consultation with managers from across the Authority.
- Maintains an effective Internal Audit Manual and regularly reviews its procedures to ensure they remain appropriate, while monitoring and reporting on specific performance indicators and targets.

- 11.4 Arising from the internal review, external assessments and the annual review of Internal Auditors' performance and development, the Group Manager – Assurance will, in discussion with senior management and the Council's Governance and Ethics Committee, develop an Improvement Programme.
- 11.5 Where non-conformance with the Public Sector Internal Audit Standards impacts on the overall scope or operation of the internal audit activity, the Group Manager – Assurance Audit must disclose the non-conformance to senior management and the Governance and Ethics Committee and the Annual Audit Report to the NFRS.

12. MANAGEMENT OF INTERNAL AUDIT ACTIVITY

- 12.1 Under the contract with NFRS, Internal audit work is planned at all levels of operation with the NFRS Head of Finance to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources in meeting this Internal Audit Charter.
- 12.2 Objectives are prepared for each Internal Audit engagement and are agreed with the NFRS Head of Finance and discussed with the relevant NFRS line managers before the work is started. Internal Audit will usually give reasonable notice to the relevant manager of the start of an audit and will minimise any disruption to the smooth running of the area under review.
- 12.3 Internal Audit adopts a structured approach to all its work including the use of a risk-based, systematic approach, where appropriate, for opinion audits.

13. SUSPECTED IRREGULARITY INVESTIGATIONS

- 13.1 Where an irregularity occurs or is suspected, which may involve financial loss, the CFA's Anti-fraud Policy dictates that it must be reported immediately to the CFA's Head of Finance in accordance with the NFRS Anti-Fraud Policy, who will determine the form that an investigation will take. The investigation can be referred to the Police or the appointed auditors, depending upon the seriousness of the alleged fraud.
- 13.2 NFRS management is required to maintain an effective internal control systems and is responsible for the prevention and detection of fraud, corruption and other irregularities, as well as managing the risks of fraud or corruption. However, when conducting audit engagements, Internal Auditors are also required to be alert to circumstances, such as control weaknesses, that could allow fraud. If any evidence of fraud or other irregularity is discovered by Internal Audit, the relevant line manager and Head of Finance will be informed.
- 13.3 Where the CFA's Head of Finance requests that Internal audit investigate a suspected fraud or irregularity, NFRS Managers are required to respond to Internal Audit immediately. In such cases, they should ensure that:

- Any supporting information or other evidence is secured.
- Confidentiality is maintained so as not to prejudice any subsequent investigation.

13.4 Where a suspected fraud, or irregularity, is referred to Internal Audit by the CFA Treasurer, it will, in consultation with the NFRS Head of Finance consider it and determine whether to investigate it, or to resolve it by another means, for example, by referral to the Police. Formal referral may occur after consultation with the legal representatives of NFRS and relevant Managers.

13.5 It is the responsibility of the relevant line manager to determine what action to take following the investigation.

14. INTERNAL AUDIT REPORTING

14.1 Internal Audit reports its findings to the NFRS Head of Finance and the appropriate line managers, who (as designated 'action owners' in the reports) have a responsibility to respond promptly to the recommendations in the report and action them. Recommendations are priority ranked as being priority 1, or priority 2 and reports contain an overall audit opinion on the area reviewed. One of three audit opinions of the level of assurance is provided, namely:

- substantial assurance,
- reasonable assurance or,
- limited assurance.

14.2 Internal Audit reports are circulated in accordance with the terms of the contract.

14.3 The public Sector Internal Audit Standards state that:

'The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action'.

14.4 NFRS Head of Finance will request and evaluate updates from action owners every six months, together with evidence of implementation, will report to SLT and will inform Internal Audit. For priority 1 actions, Internal Audit will test the evidence to confirm implementation.

15. COORDINATION OF AUDIT ASSURANCE

15.1 Internal Auditors foster constructive relationships with CFA Members, NFRS managers and others involved in the areas being audited, and also with other review and specialist agencies that it may encounter as part of its work.

15.2 Liaison with managers takes place at key stages of the audit process, namely: planning; undertaking; reporting; and responding to audits.

15.3 Internal Audit aims to provide the most efficient and effective internal audit service which relies on the mutual understanding and working arrangements, on the basis of:

- Engagement with the risk assessment and planning for audits
- Timely identification and consideration of the scope
- Availability of staff to work with the internal auditors to complete engagements
- Timely review of feedback and draft reporting
- Agreement and implementation of recommendations through action tracking