



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

INTERNAL AUDIT ANNUAL REPORT 2022/23

Report of the Chief Fire Officer

Date: 16 June 2023

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 2023/24 and also the outcome of three internal audit reports.

Recommendations:

It is recommended that Members:

- Note the outcome of the 2022/23 Internal Auditors Annual Report.
- Note the outcome of three internal audit reports completed since the last audit update report to Finance and Resources Committee.
- Note the 2023/24 External Audit Plan.

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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 2022/23 is attached in full as Appendix 1 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.

2. REPORT

NOTTINGHAMSHIRE COUNTY COUNCIL INTERNAL AUDITOR'S REPORT

- 2.1 The Internal Audit Annual Report for 2022/23 is attached at Appendix 1.
- 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 **substantial assurance** concerning the arrangements in place for corporate governance, risk management and the control environment.”* (see section 10)
- 2.3 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” individually to all three of these areas as well as the overall rating discussed in section 2.2 (see sections 22 – 24 of the Annual Report).
- 2.4 Eight audits were planned for completion in the 2022/23 financial year. Four of these were presented to Finance and Resource Committee on 31 March 23. The Corporate Governance audit has been postponed until 2024/25 to allow an internal review of governance to be completed. The remaining 3 audits were given assurance levels of either reasonable or substantial. The Regional / Joint Working audit was completed after the Internal Audit Annual Plan was issued so does not form part of the annual review. A summary of the 8 audits is provided in Table 1.

Table 1 – Summary of 2022/23 Audits

Audit	Progress	Assurance Level	Appendix
Performance Management	Complete	Reasonable	Reported to March F&R
Fleet Maintenance	Complete	Reasonable	Reported to March F&R
Asset Disposals – follow up audit	Complete	Reasonable	Reported to March F&R
Budget Management	Complete	Substantial	Reported to March F&R
Corporate Governance	Postponed until 2024/25		
Risk Management	Complete	Substantial	Appendix 2
Regionalisation / Joint Working	Complete	Reasonable	Appendix 3
Cyber Security	Complete	Exempt Appendix	Exempt Appendix

- 2.5 More details on all the audits can be found in the Internal Audit Annual Report attached at Appendix 1.
- 2.6 Three further audits have been completed since the March report to this Committee.
- 2.7 The Risk Management audit reviewed the framework that the Service has in place to ensure that corporate risks are identified, assessed, managed, and reported. The audit provided Substantial Assurance around these arrangements – i.e., that risk levels are low. The report can be found at Appendix 2.
- 2.8 The Regionalisation / Joint Working audit reviewed the financial arrangements for sharing the use of the Joint Head Quarters with Nottinghamshire Police. The report provided Reasonable Assurance – i.e., that risk levels were acceptable. The report can be found at Appendix 3.
- 2.9 The Cyber Security audit reviewed the Service’s arrangements to secure network software and hardware from cyberattacks. The audit report has been included as an exempt appendix.
- 2.10 Appendix B of the Annual Report shows the internal audit plan for 2023/24 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

- 2.11 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”

- 2.12 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.
- 2.13 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.
- 2.14 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.
- 2.15 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.
- 2.16 In June 2022 the Authority adopted the Internal Audit Charter which defines the role of the Internal Audit Service. The Charter complies with the Public Sector Internal Audit Standards 2017, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015.
- 2.17 There are regular reviews of audit plans and progress by senior managers and the audit team to monitor the work being carried out. Representatives from Internal Audit regularly attend both Finance and Resources Committee and Strategic Leadership Team meetings.
- 2.18 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 outcome of the 2022/23 Internal Auditors Annual Report.
- 10.2 Note the outcome of 3 internal audit reports completed since the last audit update report to Finance and Resources Committee.
- 10.3 Note the 2023/24 External Audit Plan (Appendix C of the Internal Auditors Annual Report).

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

None

Craig Parkin
CHIEF FIRE OFFICER

**Head of Internal Audit's Annual Report 2022/23
Report to the Chief Fire Officer, Nottinghamshire & City of Nottingham Fire &
Rescue Authority**

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Purpose of report

1. To provide the Head of Internal Audit's Annual Report for 2022/23, including our opinion on the adequacy of the Nottinghamshire & City of Nottingham Fire & Rescue Authority'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 Fire & Rescue Authority has an annually renewable agreement with Nottinghamshire County Council for the provision of internal audit services, and an Internal Audit Charter which was adopted in 2022.
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), which meets monthly as the Community Risk Management Plan (CRMP) Assurance Board
 - **Board** - Finance and Resources Committee
8. The other aspects of our compliance with PSIAS and CIPFA guidance are set out in this report.

Audit approach and coverage

9. In 2023/23, and in early 2023/24, 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 2021/22, and outstanding actions from reports issued before that.
Review of overall arrangements	Mapping sources of assurance for governance, risk management and control, and providing an assurance opinion on each.

Audit opinion

10. **Based on the coverage (above) and detailed outcomes (below), overall, we consider the collective evidence provides **Substantial Assurance** concerning the arrangements in place for governance, risk management and the control environment. The rationale for this opinion is as follows:**
 - **Although the assurance opinions on our audits are divided between substantial and reasonable assurances, the core systems audited in recent years have tended towards substantial 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 governance, risk management, and control.**

Audit assurance reviews

11. **PSIAS** state 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.’
12. 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.
13. 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.
14. In the areas reviewed in 2022/23, we provided the following opinions, and made the following number and priority level of recommendations:

Assurance level	Report	Recommendations	
		Priority 1	Priority 2
Substantial	Budget Management	0	1
	Risk Management	0	1
Reasonable	Performance Management	3	4
	Vehicle Maintenance Contract	2	2
	Asset disposal Procedures – Follow Up	1	1
Limited	No audits were in this category	-	-
Opinion to be finalised	Joint HQ Cost Apportionment	1	1
Exempt Item	Cyber Security		

15. A summary of the recommendations and actions in the above reports is below:

Reports and key dates	Recommendations/Actions
Budget Management	Improved monitoring of the number of budget forecasts that are re-checked each month
Risk Management	Wider inclusion of target dates for actions on the Corporate Risk Register
Performance management	<p>Finalise the Data & Business Intelligence Strategy</p> <p>Increase assurance that checks on the accuracy of performance data are carried out</p> <p>Commence performance reporting on all targets in the Community Risk Management Plan (CRMP)</p> <p>Continue the mapping exercise to co-ordinate the production of performance data that appears in more than one performance report.</p> <p>Improve the targets for a small number of indicators</p> <p>Improve the presentation of whether the target is being met, and the direction of travel, for a small number of indicators</p> <p>Report to SLT on the results of the data return to the Home Office</p>
Vehicle Maintenance Contract	<p>Targets to measure that repairs are finished in a timely manner, to maintain the availability of the fleet</p> <p>Review the budget to ensure it is realistic, whilst considering where savings can be made</p> <p>Wider monitoring of the full set of Key Performance Indicators</p> <p>The availability of parts and vehicles to be added to the corporate risk register</p>
Asset disposal procedures – follow-up	<p>Disposal of decommissioned ICT equipment following the move to the new HQ</p> <p>Land and property acquisition and disposal procedures to be finalised</p>
Joint HQ Cost Apportionment	Findings relating to the value for money of the Service's contribution to the costs of the new HQ are still being discussed.

Action tracking (see also Appendix A)

16. *PSIAS 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'.*
17. The NFRS Finance team annually requests and evaluates updates from action owners, reports these to the CRMP Assurance Board, and informs Internal Audit. This year's exercise revisited all the actions still to be implemented from reports issued in 2021/22 and earlier.
18. **Appendix A** illustrates the proportion of actions that have been implemented from previous years. Overall there is a high implementation rate of 84%. The report to the CRMP Assurance Board stated that there were '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 and resourcing. Work is continuing in these areas to draw the issues to a close.'

Assurances on governance, risk management and control (see also Appendix B)

19. **PSIAS state:** 'The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'.
20. Our annual report covers the adequacy and effectiveness of the Fire Service's framework of governance, risk management and control.
21. Internal Audit uses assurance mapping to identify and assess the sources of assurance – primarily based on information from governance documents and committee reports. Assurance maps summarise, group, and rate evidence according to the '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

The assurance maps are in **Appendix B**.

22. Our opinion is that there is **substantial assurance** over the **Governance** arrangements (see Appendix B)
 - Governance arrangements are well structured with comprehensive reporting.
 - Plans are in place to achieve strategic goals and to identify and realise improvements.
 - There are regular reviews of performance.
23. Our opinion is that there is **substantial assurance** over the **Risk Management** arrangements (see Appendix B):
 - Risks are closely managed including through a corporate risk register that is actively maintained – reviewed, updated, and reported.
 - Community Risk Management Plan (CRMP) is in place, with arrangements to measure progress on its delivery.
 - Emerging national and local risk issues are identified and addressed by local actions.
24. Our opinion is that there is **substantial assurance** over the **Control** arrangements (see Appendix B):
 - Close control over the finances, including current and future spending, and the financial assets held.
 - Workforce requirements are identified and acted upon.
 - Workforce performance is managed.

Performance of Internal Audit

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

Indicator	Performance
Job completion	Seven assurance reviews completed

Indicator	Performance
Timeliness of reporting	Four draft reports issued before 31 March 2023, the remainder since.
Days spent	92 planned days fully utilised.
Recommendations	100% agreed (for responses received up to the time of drafting this report at mid-May 2023).
Action tracking	Planned exercise completed by NFRS Finance team and reported to the CRMP Assurance Board, 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 3.7 (out of 4) from three completed questionnaires. Our target is for at least 3.0.

26. The Chief Internal Auditor carries out an annual self-assessment of compliance against the PSIAS. This incorporates the requirements of the Local Government Application Note (LGAN), which provides additional advice and guidance to providers of internal audit services in a local government setting, including fire authorities.
27. In addition to the self-assessment, the Internal Audit Service is subject to an External Quality Assessment (EQA) once every five years. The most recent EQA was carried out in March 2023.
28. The EQA is a robust evidence-based review of the whole Internal Audit Service comprising:
 - PSIAS review of the accuracy of the HOIA self-assessment and supporting evidence
 - Interviews with Members and Senior Officers regarding the service provision
 - A survey of service recipients capturing view on professionalism and quality of services
 - A review of the professional standards applied to the individual engagements undertaken by the staff within the service
29. The EQA confirmed the accuracy of the Chief Internal Auditor's self-assessment and concluded that the Internal Audit Service fully conforms to the requirements of the PSIAS and LGAN.
30. The EQA contained no statutory recommendations and only included five advisory issues for the Interim Chief Internal Audit to consider for the development of the service.
31. The self-assessment and outcomes from the EQA have been used to enhance the basis of internal audit's annual Quality Assurance and Improvement Programme (QAIP). The QAIP continues to capture scope for improvements in service compliance, with an action plan to provide a focus for continuous improvement in 2023/24.
32. The outcome from the self-assessment and EQA provides significant assurance that the Internal Audit service conducts its work with due professional care and confirms the following in respect of the work carried out by the service in 2022/23:
 - The service applied a systematic, risk-based approach to the assurance work it delivered
 - Internal Audit staff performed their duties with due regard to the code of ethics set out in the standards

Audit planning for 2023/24 to 2025/26 (see also Appendix C)

33. **Appendix C** provides the annual audit plan for 2023/24 and incorporates a 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.
34. We endeavour to blend coverage of core processes and systems with more focused audits of current and emerging risks and developments.

Andrew Howarth, Acting Audit Supervisor

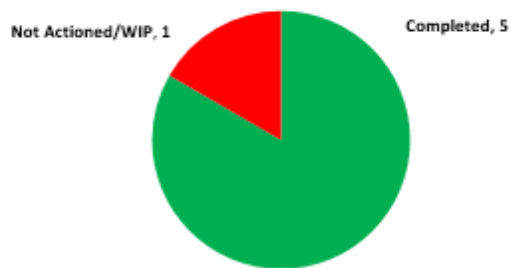
Simon Lacey, Interim Chief Internal Auditor

Appendix A

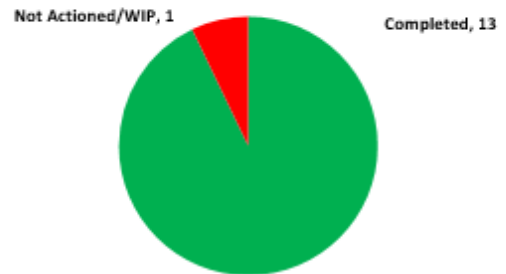
Implementation of internal audit recommendations from previous years

There are no outstanding actions from years earlier than those below.

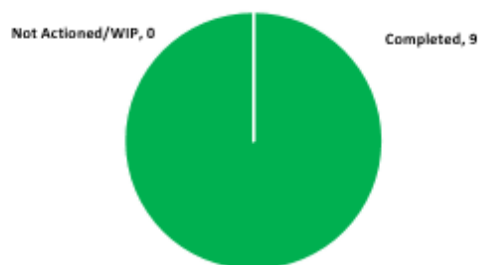
2018/19 Priority 1 Actions



2018/19 Priority 2 Actions



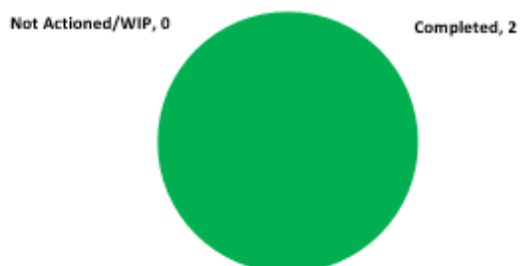
2019/20 Priority 1 Actions



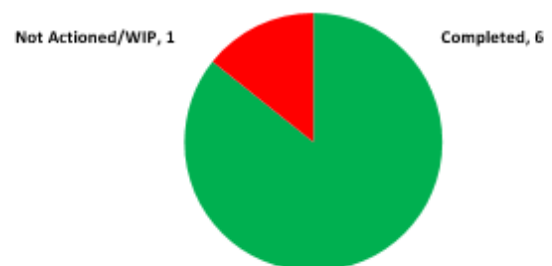
2019/20 Priority 2 Actions



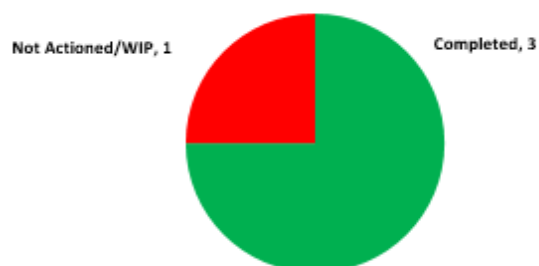
2020/21 Priority 1 Actions



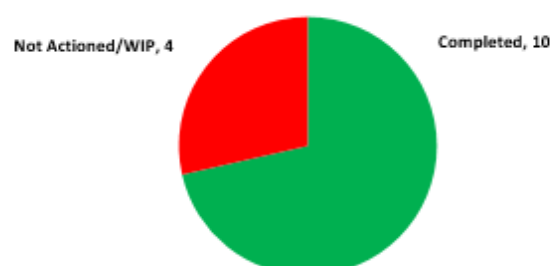
2020/21 Priority 2 Actions



2021/22 Priority 1 Actions



2021/22 Priority 2 Actions



Appendix B: Assurance maps for Governance, Risk Management and Control

Assurance Map for Governance

1st Line	2nd Line	3rd Line
<p>Established governance structure including</p> <ul style="list-style-type: none"> • Authority • Committees • Strategic Leadership Team • Community Risk Management Plan (CRMP) Assurance Board • Service Delivery Evaluation & Assurance Group <p>Committee Outcomes are regularly reported to the Authority meetings</p> <p>Community Risk Management Plan (CRMP) 2022-25 has 6 strategic goals including:</p> <ul style="list-style-type: none"> • continue to support and develop our workforce and promote an inclusive Service • continue our improvement journey to deliver an outstanding Service • manage and invest in our Service to ensure it is fit for the future <p>Arrangements in place to deliver Areas for Improvement (AFI) from 2022 inspection by His Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) including:</p>	<p>Annual Financial Accounts which also include:</p> <ul style="list-style-type: none"> • Annual Governance Statement which summarises how NFRS has complied with the 7 core principles of good governance in the NFRS Local Code on Corporate Governance. • Annual review of the effectiveness of the governance framework • Significant issues for Governance in the coming year <p>These conclude that there are well developed and evolving governance arrangements in place that are fit for purpose</p> <p>Annual Statement of Assurance 2021-22 had a review of performance against the previous Strategic Plan 2019-22 (the Integrated Risk Management Plan) in the areas of Prevention, Protection, Response, People and Governance</p> <p>Service Delivery Performance Report produced quarterly to Community Safety committee</p> <p>Local Firefighter Pension Scheme Annual Report</p>	<p>HMICFRS inspection of 2019 had 24 areas for improvement and all have now been cleared – the final one in 2022</p> <p>HMICFRS Inspection Report (July 2022). Graded as Good in all areas including:</p> <ul style="list-style-type: none"> • Efficiency at keeping people safe and secure • How well the service looks after its people <p>with only 4 areas for improvement this time</p> <p>Staff Survey in Summer 2022 run by an external company</p> <p>Internal Audit Annual Report</p> <p>Externally Audited Final Accounts</p> <p>25 apprentice firefighters – Programme rated by Ofsted as Good. (Also 7 other apprentices). Public Sector Apprentice target exceeded</p> <p>Stonewall top 100 LGBTQ+ inclusive employer in 2022</p>

<ul style="list-style-type: none"> • AFI 1 - monitor, review and evaluate the benefits and outcomes of any collaboration activity • AFI 3 - staff understand how to get wellbeing support <p>To be monitored by the CRMP Assurance Board</p> <p>Treasury Management Strategy 2023-24 approved -including Policy on Environmental, Social and Governance (ESG) considerations</p> <p>Steps and timescales established to address the 19 relevant recommendations in national HMICFRS spotlight report 'Values and Culture in Fire and Rescue Services (2023). Two were addressed immediately</p> <p>HR Committee considered the Independent Culture Review of London Fire Brigade (2022) – the relevance of its findings to NFRS and proposed actions</p>	<p>Information Governance Annual Report 2021-22. No data incidents reportable to the Information Commissioner's Office (ICO)</p>	
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Opinion:

Substantial Assurance (Green)




Rationale:

Governance arrangements are well structured with comprehensive reporting.
Plans are in place to achieve strategic goals and to identify and realise improvements.
There are regular reviews of performance.

Assurance Map for Risk Management

1 st Line	2 nd Line	3 rd Line
<p>Community Risk Management Plan (CRMP) 2022-25 has 6 strategic goals including:</p> <ul style="list-style-type: none"> • help people stay safe from fires and other emergencies • improve fire safety in the buildings people live and work in • respond immediately and effectively to emergency incidents <p>Key Objectives set within these 6 Strategic Goals, in an Annual Delivery Plan</p> <p>A Strategic Assessment of Risk helped develop strategies to deliver the CRMP</p> <p>Arrangements in place to deliver Areas for Improvement (AFI) from 2022 inspection by HMICFRS including:</p> <ul style="list-style-type: none"> • AFI 2 - risk-based inspection programme to prioritise the highest risk premises and includes proportionate activity to reduce risk • AFI 4 - when responding to a 999 call, mobile data terminals to be reliable to allow staff to access risk information <p>To be completed in 2023</p> <p>Member of Nottinghamshire Local Resilience Forum</p> <p>Manchester Arena Inquiry – Volume 2 - on planning & preparation and response to the</p>	<p>Corporate Risk Register reported to Finance & Resources Committee every 6-months and escalated to the Authority in December 2022. At that meeting it was proposed that the Finance & Resources Committee will now receive this report quarterly instead of six monthly due to the fluid state of risk nationally, and determine if there should again be an escalation to full Fire Authority</p> <p>Each Committee report includes consideration of Implications for Risk Management, Legal and Crime & Disorder</p> <p>Progress on CRMP Annual Delivery Plan to be reported in the Annual Statement of Assurance</p> <p>Annual Financial Accounts include description of how Service manages financial risks – credit risk, liquidity risk, refinancing & maturity risk, and market risk</p> <p>Workforce Plan 2022-24 considers risk of staff turnover, operational resilience, specialist skills to meet emerging risks (such as terrorism and climate change) and increasing demand for risk information arising from public inquiries including Grenfell Tower and Manchester Arena</p>	<p>HMICFRS Inspection Report (July 2022). Graded as Good in all areas including:</p> <ul style="list-style-type: none"> • Effectiveness at keeping people safe and secure <p>Cyber Essentials Plus certification renewed</p> <p>Internal audit report on Risk Management – with Substantial Assurance opinion</p> <p>Internal audit report on Cyber Security</p>

<p>emergency. This Service has developed an action plan, taking account of a national action plan that is being developed and progress on this will be scrutinised by the CRMP Assurance Board. An initial high level review indicates NFRS has mitigated immediate risks and there are currently no high risk areas. All recommendations to be completed by Sept 2024</p>	<p>2022 Fatal Fires Review. Report on 11 fatalities. After each fatality the Serious Event Review Group is convened, including to learn lessons</p>	
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<p>Opinion:</p> <p>Substantial Assurance (Green)</p>		<p>Rationale:</p> <p>Risks are closely managed including through a corporate risk register that is actively maintained – reviewed, updated, and reported. Community Risk Management Plan (CRMP) is in place, with arrangements to measure progress on its delivery. Emerging national and local risk issues are identified and addressed by local actions.</p>
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Assurance Map for Control

1 st Line	2 nd Line	3 rd Line
<p>Financial framework including:</p> <ul style="list-style-type: none"> • Scheme of Delegation • Standing Orders • Financial Regulations • Financial Procedures <p>All the above reviewed in past year and approved, or to be approved</p> <p>Budget Proposals for 2023-24 to 2026-27 (including Council Tax 2023-24) approved by the Authority</p> <p>Futures 2025 Efficiency Strategy to set a balanced budget for future years, whilst achieving service delivery</p> <p>Medium Term Financial Strategy 2023-24 to 2026-27 approved by the Authority. Includes Capital Strategy, Capital Receipts Strategy and Reserves Strategy</p> <p>Treasury Management Strategy 2023-24 approved by the Authority including Borrowing Strategy and Investment Strategy</p> <p>Pay Policy approved by the Authority</p> <p>People Strategy 2022-25</p> <p>Workforce Plan 2022-24. To ensure staffing numbers, skills and health & fitness meet service needs and available budget. It identified the need to recruit 36 wholetime firefighters. Report on achievement. 29 were</p>	<p>Annual Financial Accounts include an annual review of the effectiveness of the governance framework including the system of internal control</p> <p>Financial Position monitored in the Revenue, Capital, And Prudential Code Monitoring Report, quarterly to Finance & Resources Committee</p> <p>Assessment against the CIPFA Financial Management Code Standards - 16 graded as Green and 1 Amber</p> <p>Treasury Management annual and mid-year reports including reviews of:</p> <ul style="list-style-type: none"> • Economic Update • Treasury Management Strategy • Capital Activity • Investment and Cash Activity • Investments, Cash and Reserves • Borrowing • Compliance with Treasury and Prudential limits <p>Human Resources Update quarterly to HR Committee. Starters, leavers, staffing numbers, sickness absence, disciplinary, grievance, harassment, and discrimination cases</p> <p>Performance and Development Reviews (PDRs) completed by 88.7% of staff</p>	<p>Fire Cover Review – including a public and workforce consultation to save £2m. Informed by independent review by ORH Ltd on options for savings, whilst best maintaining operational response times</p> <p>Independent Remuneration Panel on Members' Allowances</p> <p>Internal audit report on Budget Management – with Substantial Assurance opinion</p> <p>Internal audit report on Performance Management – with Reasonable Assurance opinion</p> <p>Action tracking to monitor implementation of internal audit recommendations</p> <p>Fraud: External audit includes enquiries relating to the management of fraud risks</p>

recruited in 2022 with the remainder filled from existing staff

Efforts to increase On Call recruitment following challenges faced

Fraud: Counter Fraud, Money Laundering, Corruption and Bribery Policy in place. Section in the Financial Regulations on Preventing Fraud & Corruption

Equalities Monitoring. Gender, ethnic origin, disability, sexual orientation, age, religion

Authority agreed the recruitment and appointment of an Assistant Chief Fire Officer

Disposals of land and buildings approved by the Finance & Resources Committee

Fraud: The Service participates in the National Fraud Initiative (NFI)

Opinion:

Substantial Assurance (Green)



Rationale:

Close control over the finances, including current and future spending, and the financial assets held. Workforce requirements are identified and acted upon. Workforce performance is managed.

Appendix C: Audit Plan for 2023/24

Audit Universe	Audit needs assessment	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	2025-26
Audit reviews										
Payroll	High	substantial				substantial				
Retained firefighters' remuneration	Medium		substantial						11	
Members' & officers' expenses & allowances	Medium		reasonable							
Pensions administration	High					substantial				11
Workforce planning & recruitment	High							11		
Property & premises	Medium	reasonable								
Facilities management	Medium					substantial				
Transport management	Medium									
Fuel recharges	Low			substantial						
Vehicle maintenance contract	Medium						reasonable			
Procurement	High								11	
Purchasing & creditor payments	Medium	reasonable			reasonable					
Purchase cards	Low				reasonable					
Contract management	High		reasonable					11		
Income & debtors	Low	reasonable								
Capital programme	Medium			reasonable						11
Asset management (incl. disposals)	Medium	reasonable				limited	reasonable			
Financial management (incl. CIPFA FM code)	Medium		substantial			reasonable				
VFM / Futures 2025 Efficiency Strategy	Medium								11	
Budget management	High						substantial			
Treasury management	Medium	reasonable			substantial					
Counter-fraud & counter-corruption	Low									
Project management	Medium	reasonable								11
Corporate governance	High		reasonable							

Ethical Code	Medium					substantial				
Leading the Service (National Fire Standard)	Medium							11		
Health and safety	High		limited					11		
GDPR & information governance	Medium			no opinion					11	
Performance management	High						reasonable			
Joint working	Medium						reasonable			
Risk management	High						substantial			
Business continuity planning	High							11		
Community relations	Medium								11	
Environmental/carbon footprint	Medium								11	
ICT service desk	Medium			reasonable						
Information security (data & physical security)	Medium			no opinion				11		
Cyber security	High						Exempt			
ICT strategy, transformation & change	Medium								11	
ICT access management	Medium								11	
Cardiff Checks	Low	no opinion	no opinion	reasonable	substantial				11	
Prince's Trust (now ended)			limited							
Total review days								66	66	66
Other tasks										
Action tracking of previous recommendations								2	2	2
Annual audit report								5	5	5
Assurance mapping (within annual audit report)								4	4	4
Client management - planning, reporting, Committee								4	4	4
Total days								81	81	81

To: Chief Fire Officer
Subject: NFRS - Risk Management
Date: May 2023

1 Introduction

- 1.1 We have carried out a review of the arrangements for business risk management within the Fire Service.
- 1.2 The Service should have an effective framework in place to ensure corporate risks are identified, assessed, managed, and reported.

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>
Risk Management Framework and Reporting	Policies and procedures should be in place, with clear responsibilities and reporting requirements, including regular reporting to an appropriate Committee.
Risk Identification	The risk register should be actively and regularly reviewed and updated. Risks should be scored by an appropriate and consistent method. The risk register should include all required fields.

Risk Mitigation	Risks and actions should have owners, and the actions should be updated regularly. Progress against actions should be reviewed and challenged. Risks should only be closed after proper assessment.
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3.2 At the time of our review the latest Corporate Risk Register, which was reported to the Finance & Resources Committee in March 2023, contained the following 13 corporate risks:

- Balanced Budget
- Firefighters Pension Scheme
- Mobilising
- Employee Engagement
- Workforce Sustainability
- Preventable Deaths
- Health, Safety & Welfare
- Emergency Services Network
- Availability of Resources
- Legal Knowledge
- Programme Governance
- Environmental Impact
- Service Reputation

4 Audit findings

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

- **Risk Management Framework and Reporting**

A Risk Management Policy is in place, with roles and responsibilities clearly set out, including those of the Finance & Resources Committee, the Strategic Leadership Team, the Risk Assurance Manager, and the Risk Owners who are responsible for gaining assurance that their risk actions are in place and effective. The Policy requires that the Risk Register is reported to the Finance & Resources Committee every 6 months. This frequency has been complied with. However, the Fire & Rescue Authority in December 2022 decided to increase this frequency due to the fluid state of risk nationally, so that the Finance & Resources Committee will now receive the report quarterly.

- **Risk Identification**

The Risk Register is actively reviewed and updated by the Strategic Leadership Team and Finance & Resources Committee. The register is well structured with relevant fields, subject to the one finding on this audit relating to the inclusion of timescales for actions. Risks are scored by an appropriate and consistent method in terms of impact and likelihood. Emerging risks are actively identified and incorporated either into existing or new risk headings. For example, a new risk entitled 'Service Reputation' has been added to the Register in March 2023 to recognise cultural issues reported nationally in the Independent Culture Review of London Fire Brigade (Nov 2022) and HMICFRS report on Values and Culture in Fire & Rescue Services (March 2023). Also, some risks were escalated during the

year from High to Very High to reflect emerging issues of economic uncertainty, inflation including pay awards, and the possibility of industrial action.

- **Risk Mitigation**

All risks are allocated to appropriate risk owners, who update the Risk Register with progress against their actions. Detailed updates to the Risk Register demonstrate that it is actively maintained to control the risks to the Service in between its reporting to the meetings of the Strategic Leadership Team and Finance & Resources Committee, at which progress on addressing the risks is actively reviewed. Risks are only removed from the Risk Register after proper assessment and agreement by the Finance & Resources Committee.

4.2 We found just one potential area for improvement, as set out in the attached action plan, with our recommendation to address it.

4.3 A summary of 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:

- The risk register includes actions to address the risks. Some of these include timescales for the actions to be implemented, although this is not requirement of the format of the risk register, and timescales are not always included.

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

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

Simon Lacey, Interim Chief Internal Auditor

Internal Audit report 2022-10	ACTION PLAN NFRS - Risk Management	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Priority 2 area (Desirable for effective governance, risk management and internal control, should implement recommendations to improve existing arrangements)		
1. Timescales for Actions The risk register includes actions to address the risks, in both the 'Owner Assurance Commentary' and 'Key Projects' columns. Some of these include timescales for the actions to be implemented, although this is not requirement of the format of the risk register, and timescales are not always included. Risk: The timely implementation of actions would be encouraged, and be easier to review, if the actions included timescales.	The Risk Register could be adapted to include timescales for implementation of actions, where appropriate.	Response Agreed Date for implementation October 23 (F&R report) Officer responsible for implementation Head of Risk and Assurance / Head of Finance

To: Chief Fire Officer

Subject: NFRS - Joint HQ Cost Apportionment

Date: June 2023

1 Introduction

- 1.1 We have reviewed the financial arrangements for sharing the use of the Joint HQ with Nottinghamshire Police, in particular the valuation of the property and calculation of the Fire & Rescue Service's contribution to the cost of the land and buildings, and the calculation of ongoing contributions to running costs.
- 1.2 The Fire & Rescue Service completed its move from its HQ at Bestwood Lodge into the existing Nottinghamshire Police HQ at Sherwood Lodge during 2022/23. The move involved the construction of a new additional building at Sherwood Lodge, to be jointly occupied by both parties.

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**

- 2.3 This is based on our opinion that the contribution to Running Costs is a satisfactory amount; the contribution to the Building Cost is reasonable – paying a higher proportion of the expected cost whilst limiting the exposure of the Service to any risk if it overspends; the contribution to the Land Cost is based on a fair apportionment, but a lack of available information has meant that the Service cannot provide us with the evidence we would require to confirm the valuation of the land.

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>
Approval and Legal agreement	The financial arrangements for using the Joint HQ might not be formally documented and agreed.
Valuation of land and buildings, and the Fire & Rescue Service's contribution	The valuation of the land and buildings might not be fair and independent. The contributions by the Service might be unfair.
Running costs - Fire & Rescue Service's contribution	The contributions to running costs by the Service might be unfair.

4 Audit findings

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

- Approval: Proposals to share a Joint HQ with Nottinghamshire Police were agreed by the Fire & Rescue Authority as part of the Joint Headquarters Collaboration Programme, and its approval of the costs of the Joint HQ is in the annual budgets, in particular the Capital Programme which included provision for the costs of the land and buildings.
- Legal Agreement: A Declaration of Trust Deed was signed between Nottinghamshire Police and the Fire & Rescue Authority, to set out the financial and other arrangements between the two parties. Similar legal agreements have also been put in place for other properties where there is joint use between the Fire Service and other parties. This applies both to properties owned by the Fire Service and those owned by other parties.
- Valuation - Land: The land subject to joint use at Sherwood Lodge was valued at £4 million, and the Fire & Rescue Authority paid 12.8% of this. This proportion was based on headcount figures of 120 for the Fire & Rescue Authority and 820 for Nottinghamshire Police. The valuation of £4 million was, we are informed, the average of the two valuations by each of the parties.
- Valuation - Buildings: The building subject to joint use at the Sherwood Lodge was a new build construction with an estimated project cost of £18.5 million. The Fire & Rescue Authority paid 18.64% of this up to a maximum of £3.45 million. This proportion was based on the maximum of £3.45 million that the Fire & Rescue Service's budget would allow.
- Running Costs: The Fire & Rescue Service's contribution to the running costs of the building were contractually agreed as £365,000 per year, with an annual uplift based on the consumer prices index. The £365,000 basis was a satisfactory amount based on the running costs for the Fire & Rescue Service's previous HQ at Bestwood Lodge.

4.2 However, one aspect of the arrangements may have resulted in additional risk, and for another aspect we would need further information to be able to conclude. The

attached action plan sets out these aspects. A summary of these, together with brief details, is set out below.

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

Priority 1 area:

- the Service cannot provide us with the evidence we would require to confirm the valuation of the land.

Priority 2 area:

- The apportionment of the building costs has limited the Service's exposure to overspend. But if costs are in line with the estimated value, the Service's contribution could be disproportionate.

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

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

Simon Lacey, Interim Chief Internal Auditor

Internal Audit report 2022-09 – June 2023	ACTION PLAN Joint HQ Cost Apportionment	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Priority 1 area (Fundamental for effective governance, risk management and internal control, must implement recommendations to improve existing arrangements)		
<p>1. Land Valuation We are informed that the valuation of £4 million was the average of the two valuations by each of the parties, and that the Service's valuation was obtained from a professional valuer. However we would like to see any valuation reports to confirm this.</p> <p>Risk: We cannot confirm that the valuation of the land is fair.</p>	<p>We would like to be provided with any valuation reports (by both Fire and Police) to confirm that the valuation of £4 million was the average of the two valuations by each of the parties.</p>	<p>Response We have provided some limited information but are unable to provide any more detail due to staffing changes and loss of information.</p> <p>Date for implementation May 2023</p> <p>Officer responsible for implementation Head of Procurement & Resources / Head of Finance</p>
Priority 2 area (Desirable for effective governance, risk management and internal control, should implement recommendations to improve existing arrangements)		
<p>2. Contribution to building costs The building was a new build construction with an estimated project cost of £18.5 million. The Fire & Rescue Authority paid 18.64% of this up to a maximum of £3.45 million. This proportion was based on the maximum of £3.45 million that the Fire & Rescue Service's budget would allow.</p> <p>The maximum contribution of £3.45 million limits the exposure of the Service to any overspend. However it also meant that the 18.64% proportion contributed by the Fire Service was in excess of the 12.8% contributed to the cost of the land, which was based on headcount figures.</p> <p>The excess (18.64% minus 12.8% = 5.84%) represents over £1 million of the estimated project cost.</p> <p>Risk: The contribution by the Service has been capped at a maximum value. But if the costs are in line with the estimated value of £18.5 million, the Service's contribution could be disproportionate.</p>	<p>When the final build cost is known the Service should assess whether fixing the contribution at 18.64% provided value for money.</p>	<p>Response Agreed</p> <p>Date for implementation March 2024</p> <p>Officer responsible for implementation Head of Procurement and Resources</p>

