



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

INTERNAL AUDIT ANNUAL REPORT 2014/15

Report of the Chief Fire Officer

Date: 10 July 2015

Purpose of Report:

To bring to the attention of Members the annual report prepared by the Authority's Internal Auditors.

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1. BACKGROUND

- 1.1 Nottinghamshire County Council have provided an Internal Audit service to the Fire and Rescue Authority since its formation in 1998. It has been agreed that in the interests of good governance, the Internal Auditors annual report should be presented directly to the Finance and Resources Committee.
- 1.2 The annual report for 2014/15 is attached in full as Appendix A to this report.
- 1.3 Under the provisions of the Statement of Recommended Practice, 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 a draft statement on Internal Audit is attached.

2. REPORT

AUDITOR'S REPORT

- 2.1 The Auditors report is divided up into five sections:
 - A A narrative summary to 31 March 2015.
 - B Summary of reports issued to date
 - C Detailed analysis of progress against plan for 2014/2015
 - D Internal Audit Plan for 2015/16
- 2.2 The Auditors again comment in their narrative summary that overall the audit reports issued during the year confirmed that satisfactory control procedures are in place.
- 2.3 The narrative section also shows the level of Internal Audit Staff that have been employed on the Fire Authority contract as over 60% provided by senior and/or qualified staff.
- 2.4 The Auditors have also provided a view on the internal control environment and conclude that:

“From the work carried out during the 2014/15 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management.”

This statement will form part of the Annual Governance Statement to be reported to the full Fire Authority as part of the final accounts.
- 2.5 Section B of the audit report gives a summary of the reports issued up to 31st March 2015 and gives a brief description of the levels of assurance that the auditors have given to each area of work.

- 2.6 Section C shows the Auditors actual performance against planned activity for the year 2012/13. This shows that they completed 81 audit days from the planned delivery of 92 days in 2013/14.
- 2.7 Section D shows the internal audit plan for 2013/2014. Members will note that this plans for 103 days activity which equates to the 92 days charged for 2014/2015 plus the 11 days brought forward from 2013/2014.
- 2.8 Reports not previously brought to this committee are given in full in Appendix B to this report.

REVIEW OF INTERNAL AUDIT

- 2.8 The requirement for an Authority to maintain an Internal Audit function is derived from the local government legislation, including Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2003 amended in 2006, 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 his Section 151 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 under a set of conditions which require them to operate within the guidelines set down by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Internal Audit of Local Government. This is known as the CIPFA Code of Practice.
- 2.13 Operating within this Code and to the standards set out therein will ensure that the Authority meets its obligations under statute.
- 2.14 There are regular reviews of audit plans and progress by senior managers and the audit team to monitor the work being carried out.

2.15 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

There are no direct financial implications arising from this report.

4. HUMAN RESOURCES AND LERANING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

There are no implications for equalities arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

Internal Audit forms part of the wider system of internal control which deals entirely with the Authority's exposure to financial, and to some extent non-financial risk. Presenting the 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. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

INTERNAL AUDIT ANNUAL REPORT 2014/15
TO THE CHIEF FIRE OFFICER

<u>SECTION</u>	<u>CONTENTS</u>
A	Narrative Summary to 31st March 2015
B	Summary of Reports Issued to Date
C	Detailed Analysis of Progress against Plan for 2014/15
D	Internal Audit Plan for 2015/16

INTERNAL AUDIT ANNUAL REPORT 2014/15**SUMMARY****1 Audit coverage for the twelve months to the end of March 2015**

- 1.1 Fourteen audits were planned for 2014/15. This included four audits deferred from 2013/14 and the contingency which was used for the audit of the Loss of Protected Pension Age.
- 1.2 Ten final reports have been issued in 2014/15 including the four audits from 2013/14 and six of the ten audits planned for 2014/15. Included in this, the Capital Grant for 2014/15 has been audited and signed off.
- 1.3 Draft reports/discussion drafts have been issued in respect of two audits (Treasury Management and Financial Management). The Cardiff Checks audit is substantially complete and will be completed in April 2015. The allocation for IT was used for the ICT Strategy and SharePoint audits. The audit on Pensions has commenced and will be completed in 2015/16.
- 1.4 One of the areas reviewed has been categorised as providing limited assurance and will be followed up as part of the 2015/16 programme. All other areas reviewed to date in 2014/15 have been categorised as providing either substantial or reasonable assurance. The area followed up from a previously unsatisfactory audit opinion has improved to reasonable assurance.
- 1.5 Overall, the audit reports issued during the year confirmed that satisfactory control procedures are in operation.
- 1.6 A summary of reports issued in the 2014/15 financial year, together with main findings, is attached (Section B).
- 1.7 Over 60% of the audit work carried out in the year was undertaken by senior and/or qualified staff.

2 Audit Strategy

- 2.1 This is the second year of the risk based Internal Audit strategy for 2013/14 to 2015/16 approved at the Finance and Resources Committee meeting on 4 April 2013. **A risk analysis and strategy for 2015/16 is attached. (Section D)**

3 Annual Governance Statement

- 3.1 The Accounts and Audit Regulations 2011 require the Authority to review the effectiveness of its system of internal control and publish an Annual Governance Statement to cover the effectiveness of the Authority's systems for governance and internal control. The

Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) issue guidance to Local Authorities from time to time to assist with compliance.

- 3.2 In order to satisfy the principles of effective risk management and internal control, the Authority needs to have in place effective risk management systems, including sound systems of internal control and an internal audit function. These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant statements of best practice, and need to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively.
- 3.3 Internal Audit is appointed by the Chief Fire Officer and Treasurer (who is the Section 151 officer for the Fire Authority), and provides management with an independent appraisal of these matters.
- 3.4 The scope and cyclical frequency of work carried out by Internal Audit during each financial year is mainly based on an assessment of (predominately) financial risk on all activities that form the responsibility of the Combined Fire Authority. Annual reviews of key control areas for the main financial systems are also conducted following discussions with external audit.
- 3.5 The objective of the audits is to form an opinion on the adequacy of the systems of internal control put in place by management; to review efficiency, effectiveness and best value issues and to ensure that the assets of the authority are properly safeguarded. Formal audit reporting procedures are in place to provide assurance to management where effective controls are being operated, and to make recommendations for change and improvement where control weaknesses are identified.
- 3.6 From the work carried out during the 2014/15 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management.
- 3.7 The Chief Fire Officer and his managers have responded positively to all recommendations made in the reports that have been finalised.

4 Conclusion

- 4.1 Based on the Internal Audit work completed during the year, we have concluded that the overall level of internal control is satisfactory.

Angela Wendels
Senior Auditor
31 March 2015

**SUMMARY OF REPORTS ISSUED TO THE FIRE AND RESCUE SERVICE
FOR THE FINANCIAL YEAR 2014/2015 AS AT 31st MARCH 2015**

Audit Opinion

In the areas examined, we have assessed the controls in place to determine their effectiveness in ensuring business objectives are met and risks are mitigated. The levels of assurance given have been assessed as:



LIMITED ASSURANCE

Risk levels are high



REASONABLE ASSURANCE

Risk levels are acceptable



SUBSTANTIAL ASSURANCE

Risk levels are low

1. FRS 1501 – Migration of Fixed Asset Data

A **substantial** level of assurance was given. One low risk recommendation was made.

2. FRS 1502 – ICT Strategy

In Audit's opinion, a **reasonable** level of assurance could be given. A number of medium risk recommendations were made, including the need to involve management in the development of a new ICT strategy and within that to develop initiatives with regards to performance measurement.

3. FRS 1503 – Business Risk Management (follow-up)

Measures to address weaknesses included in the previous report had been implemented and we were therefore able to give a **reasonable** level of assurance.

4. **FRS 1504 – Corporate Governance**

Arrangements in place provided a **substantial** level of assurance with 2 low risk recommendations being made.

5. **FRS 1505 – Payroll**

Arrangements in place provided a **substantial** level of assurance, although one medium risk recommendation was put forward and agreed for implementation.

6. **FRS 1506 – Capital Grant Claim**

The capital grant claim form for 2013/14 was signed off satisfactorily.

7. **FRS 1507 – Loss of Protected Pension Age**

Arrangements in place provided a **substantial** level of assurance, although several recommendations were put forward for implementation. In particular, a weakness was found concerning the notification of tax implications for pensioners wishing to continue in their retained post.

8. **FRS 1508 – Asset Management**

In Audit's opinion, a **reasonable** level of assurance could be given. Two medium risk recommendations were made to help clarify operational procedures and arrangements around disposals.

9. **FRS 1509 – Purchasing and Creditor Payments**

In Audit's opinion, a **reasonable** level of assurance could be given. One high risk recommendation was made concerning duplicate payments being made. Action has been taken to prevent this from happening again. All other recommendations were also agreed and are being acted upon.

10. FRS 1513 – SharePoint

In Audit's opinion, a **limited** level of assurance could be given. One high risk and 5 medium risk recommendations were made. The high level risk concerned auditing of actions on SharePoint, whilst medium priority areas included the need for improvement in information management governance, training, access controls, permissions and data encryption to protect sensitive data. All recommendations were agreed and are being acted upon.

2014/15 AUDITS STILL IN PROGRESS

- 11. Treasury Management – Discussion draft issued March 2015**
 - 12. Financial Management – Draft issued 26/3/15**
 - 13. Cardiff Checks - In progress, to be completed in 2015/16**
 - 14. Pensions – Commenced, to be completed in 2015/16**
-

INTERNAL AUDIT ANNUAL PLAN AND ACTUAL DAYS 2014/15

Area of Service Activity	Planned Audit Days	Actual Days	Report Ref:	Comments
Audits Brought Forward from 2013-14				
ICT Strategy		2	FRS/1502	Final report issued
Business Risk Management		3	FRS/1503	Final report issued
Corporate Governance		4	FRS/1504	Final report issued
Payroll	10	8	FRS/1505	Final report issued
Fixed Assets Records matching	9	7	FRS/1501	Final report issued
Capital Grant Claim Certification	1	1	FRS/1506	Annual certification of Capital Grant Claim
Contingency	10	10	FRS/1507	Used to audit loss of protected pension age. Final report issued
Asset Management System	5	5	FRS/1508	Final report issued
Purchasing & Creditor Payments	10	11	FRS/1509	Final report issued
Financial Management	10	10	FRS/1510	Draft report issued
Treasury Management	5	7	FRS/1511	Draft - pending discussion
Cardiff Checks	10	8	FRS/1512	Substantially complete. Will be issued in 2015-16
ICT (SharePoint)	16	16	FRS/1513	Final report issued
Pensions	10	4	FRS/1514	Started - to be completed in 2015/16
Client Management	7	7	N/A	
Total Audit Days for the Year	103	103		

D

COMBINED FIRE AUTHORITY - INTERNAL AUDIT PLAN FOR 2015/16

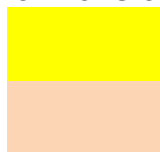
	Assessed	Audit	Year Last	2015/16
SERVICE AREA	Risk	Frequency (Years)	Audited	Planned
Contingency	To be agreed		2014/15	14
Payroll	Medium	3	2013/14	10
Records Matching		Requested	2014/15	
Pensions	Medium	3	2014/15	6
Assets	Low	4	2014/15	
Contracts (Cross Cutting)	Medium	3		10
Purchasing & Creditor Payments	Medium	3	2014/15	
Transport (utilisation)	Low	4	2011/12	10
Financial Management	High	2	2014/15	
Treasury Management	Medium	3	2014/15	
Income & Debtors	Medium	3	2012/13	5
Notts FRS Trading Ltd	Medium	3	2012/13	
ICT - Physical and Environmental Controls	High	Annual	2014/15	10
Capital	Medium	3	2013/14	
Cardiff Checks		Annual	2014/15	10
Corp Governance	High	2	2013/14	
Risk Management	Medium	3	2013/14	
Partnerships (Princes Trust)	Medium	3		10
Follow-up Audits (Share Point)			2014/15	5
Capital Grant Claim Certification			2014/15	1
Client Management				7
Total planned days for the year				98*

NOTE: Contingency - possibly look at new payroll system when in place

*Includes 6 days carried forward for Pensions.

Audits undertaken as part of the 2014/15 plan

Audits started in 2013/14, completed in 2014/15



**Audit Reports Issued
not yet presented to Finance and Resources Committee**

- 1504 - Corporate Governance**
- 1505 - Payroll**
- 1508 - Asset Management**
- 1509 - Purchasing and Creditor Payments**
- 1513 - Sharepoint**

Note:

Reports 1506 was a grant claim certification and 1507 was presented as an exempt item to Policy and Strategy Committee on 6th February 2015.



To: Chief Fire Officer
Subject: Corporate Governance
Date: October 2014

1 Introduction

- 1.1 We have audited the arrangements for corporate governance within Nottinghamshire Fire and Rescue Service.
- 1.2 Corporate governance was defined in the Cadbury Report, 1992, as “the system by which organisations are directed and controlled”. As such, corporate governance is central to the running of the Authority.
- 1.3 Following previous reviews of corporate governance we agreed to focus our audit on aspects of the CIPFA/Solace guidance for good governance that we had not previously covered in detail.

2 Audit opinion

- 2.1 In the areas examined, we have assessed the controls in place to determine their effectiveness in ensuring business objectives are met and risks are mitigated.
- 2.2 Following this audit, our opinion on the level of assurance we can provide is:



Limited assurance



Reasonable Assurance



SUBSTANTIAL ASSURANCE

Risk levels are low

3 Areas examined

- 3.1 At the beginning of the audit we agreed with the Assistant Chief Officer, Head of Finance and Resources that our audit would focus on the following areas from the CIPFA/Solace guidance on good governance:

<i>Audit Scope</i>	<i>Significance</i>
The Fire Authority should make informed and transparent decisions which are subject to effective scrutiny and risk management.	Without informed, transparent decisions the Authority may fail to achieve value for money and members or officers may not be accountable for their decisions.
The Fire Authority should develop the capacity and capability of members and officers to be effective.	Members and officers may not have the necessary support to develop their capacity and capabilities.
The Fire Authority should promote the values of the Fire Service and demonstrate these values through good governance and upholding high standards of conduct and behaviour.	Members and officers are responsible for spending tax payers' money and should be seen to have high standards of conduct and behaviour.

- 3.2 The scale of the area reviewed is:

<i>Metric</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
<i>Net cost of services (financial statements)</i>	<i>£47.3m</i>	<i>£46.8m</i>	<i>£43.9m*</i>
<i>County and City population (2011 census)</i>	<i>1,091,482</i>		
<i>Number of dwellings (2011 census)</i>	<i>478,630</i>		

*Base budget for 2013-14

4 Audit findings

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

- Where decisions are made by committees, supporting documents are readily available with the minutes, including any professional advice and impact analysis.
- The Scheme of Delegation is part of the Fire Authority's constitution and has been approved by members. The Scheme sets out the financial authority delegated to various officers. However, the Scheme of Delegation is not readily available and was difficult to find.

- A comprehensive management training programme and progression procedure is in place and was updated in June 2014. Induction training for new members took place in June 2013 following the local elections.
- Codes of conduct for staff and members are in place and a Commitment to Equalities policy has been approved by members.

4.2 However, we also identified some control weaknesses. The attached Action Plan sets out these weaknesses and our recommendations to address them.

4.3 A summary of the recommendations is set out below:

<i>Control risk – by category</i>	<i>Number of Recommendations</i>	<i>Recommended speed of attention</i>
High Risk		Immediate
Medium Risk		Within two months
Low Risk	2	Within six months
Value for money		As soon as practicable

**Audit conducted by:
Chris Willimsky, Senior Auditor**

**Audit supervised by:
Kate Buckley ACA, Senior Auditor**

John Bailey CPFA, Head of Internal Audit

Audit Finding	Recommendation	Management Response
Low risk areas (desirable for effective internal control, may implement recommendations to improve existing control arrangements)		
<p>1. Guidance on decision making body</p> <p>Control weakness:</p> <p>A Scheme of Delegation has been approved by members. However, we were only able to find the scheme as an attachment to the minutes of the committee meeting at which it was approved. These minutes were only available on the previous version of the City Council's committee diary website.</p> <p>Risk: <i>Officers may be unsure of which committee or officer is able to authorise their proposals.</i></p>	<p>The scheme of delegation should be more widely available across the organisation; publication on the intranet should assist with this.</p>	<p><u><i>Response of Chief Fire Officer</i></u></p> <p><i>The scheme of delegation will be published on the Authority's website</i></p> <p><u><i>Date for implementation</i></u></p> <p><i>End of October 2014</i></p> <p><u><i>Officer responsible for implementation</i></u></p> <p><i>Communications Manager</i></p>
<p>2. Publication of the Register of Members Interests</p> <p>Control weakness:</p> <p>A Register of Members' Interests is held by the Clerk to the Fire Authority. However, following the change in members resulting from the May 2013 local elections, the register is not yet publicly available.</p> <p>At the time of audit three members of the Authority had not completed declarations of interests.</p> <p>Risk: <i>Without a publicly available register of members' interests the authority is less transparent and open than it could be.</i></p>	<p>The register of members' interests should be complete and publicly available to promote openness and transparency as required by the Localism Act 2011 section 7.</p>	<p><u><i>Response of Chief Fire Officer</i></u></p> <p><i>This will be posted on the website as soon as it is received from the Clerk</i></p> <p><u><i>Date for implementation</i></u></p> <p><i>December 2014</i></p> <p><u><i>Officer responsible for implementation</i></u></p> <p><i>Communications Manager</i></p>



To: Chief Fire Officer

Subject: Payroll

Date: October 2014

5 Introduction

- 5.1 We have audited the arrangements established by management for Payroll.
- 5.2 Payroll services are provided by Nottinghamshire County Council Payroll using the SAP system. NFRS are responsible for the administration and management of the payroll data, which is carried out by staff at Fire Headquarters.

6 Audit opinion

- 6.1 In the areas examined, we have assessed the controls in place to determine the level of assurance we can provide regarding the achievement of business objectives and mitigation of risks.
- 6.2 Following this audit, our opinion on the level of assurance we can provide is:



Limited assurance



Reasonable Assurance



SUBSTANTIAL ASSURANCE

Risk levels are low

7 Risk areas examined

- 7.1 At the beginning of the audit we identified the key risks associated with payroll as:

<i>Risk description</i>	<i>Significance</i>
The monthly payroll is not processed on time.	Staff would not be paid.
Employees are not paid the correct amounts.	Employees may be overpaid and the budget overspent.
Payments are made to non-genuine employees.	NFRS loses money to fraud.

The correct statutory amounts are not paid to HMRC or other organisations.	NFRS could be at risk of fines or penalty interest.
Payroll costs are not recorded accurately or promptly in the accounting system.	External audit could give qualified opinion and budget management made more difficult.
Employees' personal data is inappropriately disclosed.	Breach of the Data Protection Act.

7.2 The scale of the area reviewed is:

	2012-13	2013-14	2014-15
<i>Net Total Expenditure*</i>	<i>£46.75m</i>	<i>£43.95m</i>	<i>£42.89m</i>
<i>Staff Costs**</i>	<i>£29.68m</i>	<i>£34.57m</i>	<i>£34.01m</i>
	2012-13	2013-14	2014-15
<i>Number of employees at beginning of year (excl. trading)</i>	1008	977	963
<i>Number of NFRS pensioners paid through payroll</i>	697	704	725

*2012-13 Statement of Accounts, 2013-14 & 2014-15 budget

**2012-13 & 2013-14 actuals from Agresso, 2014-15 budget

8 Audit findings

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

- Business continuity arrangements are in place and payroll staff can work from alternative locations if required.
- All procedures include independent authorisation, from HR or line managers, prior to any data being entered on the payroll system, as well as independent checking of all entries to the system.
- Payroll data was recently reconciled with HR data from an alternative source as part of the implementation of the new HR system. NFRS participates in the two-yearly NFI data matching exercise.
- Deductions for tax and NI are automatically calculated by the payroll system based on individuals' tax codes. All deductions and employer's contributions are paid over to HMRC or other providers as applicable by Finance.
- Payroll costs are promptly and accurately recorded in the accounts. This is a lengthy and complicated process due to limited information available from SAP. Multiple checks and balances are performed to ensure the data is loaded into Agresso correctly. Suspense codes are being cleared promptly.
- Personal data is held securely. Only two computers are able to access the payroll system and these are both in the payroll office, which we observed is always locked when unattended.

8.2 However, we did identify one control weakness. The attached Action Plan sets out this weakness and our recommendation to address it.

8.3 A summary of the recommendation is set out below:

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

Medium risk areas:

- Some payroll functions are provided by Nottinghamshire County Council but there is currently no contract or Service Level Agreement in place that defines the responsibilities of NFRS and NCC (See Action Plan 1).

**Audit conducted by:
Chris Willimsky, Senior Auditor**

Audit supervised by:

Kate Buckley ACA, Senior Auditor

J M Bailey CPFA, Head of Internal Audit

Audit Finding	Recommendation	Management Response
Medium risk areas (highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>1. Contractual Agreement</p> <p>Control weakness:</p> <p>Some payroll functions are provided by Nottinghamshire County Council using the SAP payroll system. We were informed that the responsibility for transferring payments to employees and pensioners rests with NCC. However, there is no contract or Service Level Agreement in place that sets out the specific responsibilities of each organisation.</p> <p>Risk: <i>If there were to be any major problems with the payroll NFRS may struggle to obtain any redress from NCC.</i></p>	<p>A contract or Service Level Agreement that sets out the processes and responsibilities transferred to Nottinghamshire County Council and the amount to be paid for these services should be prepared. When agreed, this should be signed by both parties.</p>	<p><u><i>Response of Chief Fire Officer</i></u></p> <p><i>The County Council has prepared a draft Service Level Agreement and this will be reviewed by the Service and agreed within the next three months.</i></p> <p><u><i>Date for implementation</i></u></p> <p><i>31 December 2014</i></p> <p><u><i>Officer responsible for implementation</i></u></p> <p><i>Principal Accountant</i></p>



To: Chief Fire Officer

Subject: Asset Management

Date: March 2015

9 Introduction

9.1 We have audited the arrangements established by management for the Redkite asset management system, which is used to record and manage the Service’s operational assets. We visited one whole time and one retained fire station (Highfields and Stapleford).

10 Audit opinion

10.1 In the areas examined, we have assessed the controls in place to determine what level of assurance is provided that business objectives are met and risks are mitigated.

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



Limited assurance



REASONABLE ASSURANCE

Risk levels are acceptable



Substantial Assurance

11 Risk areas examined

11.1 We would highlight the key risks as: -

<i>Risk description</i>	<i>Significance</i>
The equipment held and its location are unknown	Equipment may not be managed effectively and may be replaced unnecessarily
Equipment may be misplaced or stolen	Resources may be used to replace equipment
Equipment is faulty and does not meet the required standards	Injury may be caused through

	the use of defective or unsafe equipment.
The asset management system is not used effectively and reported problems are not acted on	Best value may not be obtained from the funds invested in the system.

11.2 The scale of the area reviewed is: -

<i>Metric</i>	<i>2014 - 15</i>
Stations using the system	12 whole time stations
	11 retained stations plus the stores
Annual expenditure on the Asset Management System	£5,775 net (Redkite Annual Licence fee) Plus one full-time member of staff.

12 Audit findings

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

- There is a current Asset Management Policy which we were informed was adopted by the Corporate Management Board and is due for review.
- Equipment for the 23 stations and stores are uniquely identified and recorded in the Redkite System. At the time of audit, the equipment at the Service Delivery Centre (used for recruitment and training purposes only) was not included on the system.
- Acceptance tests for new equipment, weekly independent physical verification and periodic standard tests are carried out and recorded in the Redkite System along with the correct location.
- New items are added promptly to the system.

12.2 However, there were some control weaknesses and underutilisation of the system. The attached Action Plan sets out these weaknesses and our recommendations to address them.

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

<i>Control risk – by category</i>	<i>Number of Recommendations</i>	<i>Recommended speed of attention</i>
High Risk		Immediate
Medium Risk	2	Within two months
Low Risk	3	Within six months

Medium risk areas:

- Tasks and responsibilities should be assigned and documented for functions associated with the Redkite Asset Management System. **(See Action Plan 1)**
- Disposals of assets should be recorded appropriately. **(See Action Plan 2)**

Audit conducted by: Christine Marshall - MAAT

Audit supervised by: Angela Wendels - ACCA

J M Bailey CPFA, Head of Internal Audit

Audit Finding	Recommendation	Management Response
Medium risk areas (highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>1. Operational procedures</p> <p>There is an Asset Management Policy and Operational Procedures document. A Redkite user guide has also been written to accompany the operational procedures. However these documents do not clarify who should carry out the functions or detail who should run the necessary reports including:</p> <ul style="list-style-type: none"> • Reporting of insecure or ageing barcodes. • Running the missing not found reports and investigation of discrepancies. <p><i>Our testing identified a door enforcer ET016923, which was reported on the missing/not found report. However, we physically verified this item of equipment.</i></p> <ul style="list-style-type: none"> • Recording the after use tests within Redkite. <p><i>We examined the records for ten items of equipment and found only two items had an after use test recorded in Redkite.</i></p> <ul style="list-style-type: none"> • Monitoring of the 'tests due report' to identify tests overdue. • Monitoring of the equipment failures report. <p><i>Our testing of an equipment failure report dated December 2014 included a BA compressor ET013262 recorded as not working. This item was repaired in July 2014 and a comment was put in Redkite to indicate this. However, the report did not identify the item had been repaired.</i></p> <ul style="list-style-type: none"> • Disposals (see also action plan 2) <p>Risk: <i>The Redkite system may not be used to its full potential.</i></p>	<p>Procedures should be clarified and assigned in writing to state who is responsible for carrying out the required functions and running and monitoring of the Redkite reports.</p>	<p><u>Response of Chief Fire Officer</u></p> <p><i>Following a meeting with the Area Manager Response the following will be implemented:</i></p> <ol style="list-style-type: none"> 1. <i>An operational guide for the use of Redkite highlighting roles and responsibilities will be compiled by both Group Manager Response and the Equipment Manager.</i> 2. <i>Redkite will be added to the organisation's Expectations Department and will be audited locally as part of the operational audit programme.</i> 3. <i>Supervisory managers will be offered additional training to run reports on the issues highlighted (missing not found, after use testing and monitoring of equipment failures).</i> 4. <i>The initial meeting to implement this has taken place. An additional meeting to prepare the operational guide and addition to the Expectations document to take place in late February.</i> <p><u>Date for implementation</u></p> <p><i>February/March 2015</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Equipment Manager</i></p>

Audit Finding	Recommendation	Management Response															
<p>2. Disposals</p> <p>We examined four items listed on Redkite as withdrawn from service. Two of these had been correctly returned to stores, had reasons recorded and were detailed as disposed.</p> <p>The two remaining items were not recognised as having been returned to stores and were not detailed as disposed or system complete:</p> <table border="1" data-bbox="114 459 875 826"> <thead> <tr> <th>RK Unique asset no.</th> <th>Asset type</th> <th>Withdrawn and off- run boxes ticked</th> <th>location</th> <th>reason</th> </tr> </thead> <tbody> <tr> <td>DS301928</td> <td>Dragon max light charger</td> <td>22/10/12</td> <td>Carlton</td> <td>Inventory</td> </tr> <tr> <td>ET002691</td> <td>Dragon max light charger</td> <td>4/10/12</td> <td>West Bridgford</td> <td>defective</td> </tr> </tbody> </table> <p>Risk: <i>There is no unified system for dealing with disposed or missing items.</i></p>	RK Unique asset no.	Asset type	Withdrawn and off- run boxes ticked	location	reason	DS301928	Dragon max light charger	22/10/12	Carlton	Inventory	ET002691	Dragon max light charger	4/10/12	West Bridgford	defective	<p>Assets should be categorised as to whether they need to be returned to stores upon failure.</p> <p>An appropriate reason for disposal should be recorded on Redkite and the location amended to 'disposed'.</p> <p>Lost items or items 'withdrawn from service' should be approved by the Asset Manager, itemised as disposed and the approval recorded in Redkite.</p>	<p><u>Response of Chief Fire Officer</u></p> <p><i>There are two elements to this:</i></p> <ol style="list-style-type: none"> 1. <i>Certain items of equipment are consumable and are therefore disposed of without recording. Following the meeting in February a process for this will be added to the operational guidance, which will be managed at local level. This will include a determination of which items will be categorised as consumable and non-consumable.</i> 2. <i>Non consumable equipment will follow the following process:</i> <ol style="list-style-type: none"> i. <i>Equipment is deemed defective at local level and returned to stores. A decision will be made to repair or dispose of item.</i> ii. <i>If equipment is repaired then this will be noted in Redkite and returned to sender following repair.</i> iii. <i>If equipment is highlighted for disposal this will be noted in Redkite and the location amended to 'disposed'. A replacement will be issued with a new barcode.</i> iv. <i>A staff briefing paper will be issued to address these issues at a local level. They will be monitored as part of the local audit programme.</i> v. <i>The authorisation for items to be classified as disposed will be restricted to the Asset Manager, the Equipment Manager or Stores Management only.</i> <p><u>Date for implementation</u></p> <p><i>March 2015</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Equipment Manager</i></p>
RK Unique asset no.	Asset type	Withdrawn and off- run boxes ticked	location	reason													
DS301928	Dragon max light charger	22/10/12	Carlton	Inventory													
ET002691	Dragon max light charger	4/10/12	West Bridgford	defective													

Audit Finding	Recommendation	Management Response
Low risk areas (desirable for effective internal control, may implement recommendations to improve existing control arrangements)		
<p>3. Serial numbers and value of assets</p> <p>Redkite has the facility to record the serial number and value of assets. However, this information is generally not recorded. We were informed the serial numbers of new branches (hoses) have now been recorded.</p> <p>Risk: <i>Barcodes may become detached and there is no other method of identifying the equipment.</i></p>	<p>Serial numbers for new items should be entered in the appropriate field within Redkite for uniquely identifiable equipment. The value of new equipment should also be included.</p>	<p><u>Response of Chief Fire Officer</u></p> <p><i>This is now being completed with all new equipment going forward. When time allows a retrospective review of current equipment will take place.</i></p> <p><u>Date for implementation</u></p> <p><i>Already completed</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Equipment Manager</i></p>
<p>4. Risk assessment and testing of equipment</p> <p>The service is currently reviewing all standard tests and risk assessments for equipment. Standard tests required and dates of tests carried out are recorded in Redkite However, the details of the risk associated with each piece of equipment are not recorded in Redkite. We were informed this is detailed on the intranet.</p> <p>The details of tests required to comply with the Lifting Operations and Lifting Equipment Regulations 1998 (LOLER), which are carried out by external contractor, are not recorded in the Redkite System. .</p> <p>Risk: <i>The system may not record the full testing history of all items of lifting equipment</i></p>	<p>The date of tests relating to the LOLER requirements should be recorded in the Redkite system.</p>	<p><u>Response of Chief Fire Officer</u></p> <p><i>Working with our current provider we intend to implement a page on Redkite that will record all tests that are required under legislation such as LOLER and PUWER. This has been work in progress for some time and due to change in management within our providers has been delayed.</i></p> <p><u>Date for implementation</u></p> <p><i>April/May 2015</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Equipment manager.</i></p>

Audit Finding	Recommendation	Management Response
<p>5. Security of assets at retained stations</p> <p>Redkite has been rolled out to the 11 retained stations. We visited Stapleford station and found there was no fencing or security alarm. Entry was controlled by electromagnetic lock only. The pump was unlocked.</p> <p>We were not provided with any risk assessments regarding security. We were informed risk assessment for security measures would have been carried out when the project to fence the sites was carried out over six years ago.</p> <p>We were informed only one of the eleven stations has a security alarm and nine have security fencing.</p> <p>Risk: <i>Following inventory inspections equipment could be tampered with.</i></p>	<p>Risk assessments should be carried out and reviewed periodically to ensure the security of assets listed within Redkite is satisfactory.</p>	<p><u>Response of Chief Fire Officer</u></p> <p><i>Equipment manager and the Asset manager will complete a risk assessment linked to the finding of the audit, which will in turn incorporate the security of all Redkite assets. This will be completed during March 2015. The findings of this Risk Assessment will then be forwarded to the correct departments for consideration and if required, implementation.</i></p> <p><u>Date for implementation</u></p> <p><i>April 2015</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Asset Manager</i></p>



To: Chief Fire Officer
Subject: Purchasing and Creditor Payments
Date: March 2015

13 Introduction

- 13.1 We have audited the procedures in place for the processing of purchase invoices and creditor payments for non-capital items.
- 13.2 The objective of the process is to ensure that purchases are made only by authorised employees, in accordance with financial procedures and within available budgets; and that payments are made only to approved suppliers in accordance with agreed contractual terms.

14 Audit opinion

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



Limited assurance



**REASONABLE
ASSURANCE**

Risk levels are acceptable



Substantial Assurance

15 Risk areas examined

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

<i>Risk description</i>	<i>Significance</i>
1. Procurement procedures may not comply with legal and organisational requirements	Where financial procurement procedures are not met there is a risk the authority may not be meeting internal and external legal requirements.
2. Orders are placed for inappropriate goods and services	Goods ordered may not be required or may not be of an appropriate quality or the purchase may exceed the budget allocations.

3. Goods and services which have not been ordered may be accepted	Goods may be procured which may not be required or alternative goods may have been available.
4. Inaccurate invoices may be paid	Appropriate checks may not have been made prior to the payment of an invoice resulting in a loss to the authority.
5. Fraudulent payments may be made, monies lost or additional costs incurred.	Without the appropriate control over the payment of invoices payments may be made in error.
6. Transactions may not be recorded in the accounting system accurately and promptly	Delays may occur in the processing of payments which could result in commitments being made where there is limited or no budget available.

15.2 The scale of the area reviewed is: -

<i>Metric</i>	<i>2012-13 actual</i>	<i>2013-14 actual</i>	<i>2014-15 To Dec 14</i>
<i>Expenditure (£m)</i>	<i>8.7</i>	<i>8.1</i>	<i>5.8</i>
<i>No. of transactions</i>	<i>10,547</i>	<i>7,928</i>	<i>4,736</i>

16 Audit findings

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

- Legal and organisational requirements are documented and being complied with.
- The work flows provide the necessary controls, separation of duties and authorisation to ensure purchases are appropriate for the service needs.
- Controls are generally in place over the payment of invoices to prevent losses.
- Transactions are recorded promptly and accurately within the accounting system.

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

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

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
High priority	1	Immediate
Medium priority	1	Within two months
Low priority	2	Within six months
Value for money	1	As soon as practicable

High priority areas:

- Duplicate payment of invoices has occurred following failure to follow the agreed procedure. (See Action Plan 1)

Medium priority areas:

- Lack of review of outstanding orders may result in over commitments in the accounts during the year. (See Action Plan 2)

Audit conducted by: Helen Lomas, MAAT

Audit supervised by: Angela Wendels , ACCA

J M Bailey CPFA, Head of Internal Audit

Audit Finding	Recommendation	Management Response
High priority areas (essential for effective internal control, must implement recommendations to improve existing control arrangements)		
<p>1. Duplicate payment of invoices</p> <p>The accounting system has controls built in to prevent the duplicate payment of invoices. A second invoice from a supplier with a duplicate invoice number should be rejected by the accounting system.</p> <p>As part of the audit testing 2 duplicate payments were identified. The system did not reject these payments due to controls being breached.</p> <p>a. A duplicate payment of approximately £28,000 was made due to changes made to suppliers standing data based on hearsay of a takeover. Formal checks had not been carried out on the suppliers status prior to the company’s standing data being changed. This error was identified and a refund has been received from the supplier.</p> <p>b. A payment of approximately £8,000 was made twice as a result of an invoice being received twice electronically from a supplier. This related to the purchase of fuel. The invoice did relate to an order commitment in the accounting records however the original order had not been received in full leaving a residual value on the commitment system. The second invoice was posted against the residual balance on the order. As this residual balance was below tolerance thresholds the invoice was subject to additional approval by</p>	<p>Suppliers standing data should not be amended without a formal process being followed for the amendment of supplier data.</p> <p>Residual balances on orders which are not going to be delivered should be cancelled at the time the invoice is matched to the order.</p> <p>Budget holders should consider the transactions they are approving to ensure they are reasonable and have not already been processed.</p>	<p><u>Response of Chief Fire Officer</u></p> <p><i>There has been a changeover of staff in the purchase ledger processing team and this audit has revealed that some processes were not clear to the employees concerned.</i></p> <p><i>Re a) the procedure for how notified changes to supplier records should be checked has been re-communicated to the team.</i></p> <p><i>Re b) There are three controls in place which all failed to operate in this case.</i></p> <p><i>The first control is that the finance system will flag up a potential error if a duplicate invoice number is keyed in. In this case the invoice no. was keyed in slightly differently the second time and staff have been reminded that invoice nos. must be keyed in exactly as they are on the invoice.</i></p> <p><i>The second control is that when it is known that part of an order will not be fulfilled, requisitioners should use the “rest cancelled” function to cancel the remainder of the unfulfilled order. In this case this was not done, which enabled the duplicate invoice to be matched to the original order. Requisitioners will be reminded to use the “rest cancelled” feature in these circumstances.</i></p> <p><i>The third control is that when invoices are matched to orders and the sum paid is outside of a tolerance level, the Budget Holder must approve the invoice. In this case the Budget Holder approved the invoice without querying why the amount was so different from the remaining order value. Budget Holders will be reminded of the importance of carefully checking</i></p>

Audit Finding	Recommendation	Management Response
<p>the budget holder as part of the work flow process. The second payment was approved by the budget holder and subsequently paid. This payment relates to the anomaly on outstanding orders in point 2 of the action plan.</p> <p>This overpayment has subsequently been recovered.</p> <p>Risk: Duplicate payment of invoices may result in loss to the authority.</p>		<p><i>items outside of tolerance.</i></p> <p><u>Date for implementation</u></p> <p>a) <i>Already implemented</i></p> <p>b) <i>Within 2 months</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Principal Accountant</i></p>
<p>Medium priority areas (highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)</p>		
<p>2. Review of outstanding orders</p> <p>A process is in place at the end of the financial year to review outstanding or open orders. This process does not take place on a routine basis during the financial year.</p> <p>As part of the audit review a list of open or outstanding orders over 3 months old was reviewed. This identified approximately £320,000 of orders over 3 months old. On this there was an anomaly of approximately £8,600 as a result of a misposting of a fuel invoice.</p> <p>Risk: <i>Without the regular review of the outstanding orders the commitments against the budget may be under or overstated.</i></p>	<p>A procedure should be introduced to review open and long outstanding orders during the year. When an invoice is matched to an order, checks should be made to any residual balances and written off where appropriate. This would help to identify any anomalies within the commitment system and aid the budget monitoring process.</p>	<p><u>Response of Chief Fire Officer</u></p> <p><i>The Procurement Dept. staff have now checked all open orders over 6 months old and closed all except value orders. It has been identified that these staff were doing this regularly but missing a step in the process so the task wasn't completed properly. The task will be performed regularly in future.</i></p> <p><u>Date for implementation</u></p> <p><i>Already implemented</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Supplies Manager</i></p>

Audit Finding	Recommendation	Management Response												
Low priority areas (desirable for effective internal control, may implement recommendations to improve existing control arrangements)														
<p>3. Use of Non Order invoices</p> <p>The processing of non-order invoices is restricted to a limited number of types of supply as revised in May 2014. A review of the invoices processed which are not supported by an order at the time of commitment with supplier were tested to ensure that the type of supply was exempt per the approved list.</p> <p>A sample of ten non order invoices was reviewed. Of these only 3 of these payments were appropriate to be made as non-order invoices. The remaining 7 types of supply which were not on the exempt list were as follows:</p> <table border="1" data-bbox="114 724 931 1136"> <thead> <tr> <th data-bbox="114 724 524 767">Supplier</th> <th data-bbox="524 724 931 767">Note</th> </tr> </thead> <tbody> <tr> <td data-bbox="114 767 524 874">Agency staff costs x2</td> <td data-bbox="524 767 931 874">These payments were exempt in 2008 but not shown on the 2014 list.</td> </tr> <tr> <td data-bbox="114 874 524 946">Grant Payment x2</td> <td data-bbox="524 874 931 946">Not included on list of exemptions</td> </tr> <tr> <td data-bbox="114 946 524 1018">Attachment of earnings payover</td> <td data-bbox="524 946 931 1018">Not included on list of exemptions</td> </tr> <tr> <td data-bbox="114 1018 524 1061">Courier Service</td> <td data-bbox="524 1018 931 1061">Order should have been raised</td> </tr> <tr> <td data-bbox="114 1061 524 1136">Audit fees</td> <td data-bbox="524 1061 931 1136">Order had been raised but payment not called off the order</td> </tr> </tbody> </table> <p>Risk: <i>Payments may be made in error to suppliers without the appropriate commitments process.</i></p>	Supplier	Note	Agency staff costs x2	These payments were exempt in 2008 but not shown on the 2014 list.	Grant Payment x2	Not included on list of exemptions	Attachment of earnings payover	Not included on list of exemptions	Courier Service	Order should have been raised	Audit fees	Order had been raised but payment not called off the order	<p>In accordance with Financial Procedures 2.8 - An official written order shall be issued for all work, goods or services to be supplied to the Fire Authority.</p> <p>Exceptions are made to this and the list of authorised expenditure categorised as non-order invoices as amended in 2014, needs revision.</p> <p>Staff need to be reminded of the items that may be processed as a non-order invoice.'</p>	<p><u>Response of Chief Fire Officer</u></p> <p><i>The approved list of types of supplies which do not require purchase orders has been updated and re-communicated to the purchase ledger team staff.</i></p> <p><u>Date for implementation</u></p> <p><i>Already implemented</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Principal Accountant</i></p>
Supplier	Note													
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Courier Service	Order should have been raised													
Audit fees	Order had been raised but payment not called off the order													

Audit Finding	Recommendation	Management Response
<p>4. Management of cheque stocks</p> <p>A review of the manual cheque books held in the safe identified a number of cheque books which are not logged on the Agresso system on receipt. The review of the safe also identified that there was no record of what was held in the safe for example cheque books belonging to other related organisations.</p> <p>A review of the manual cheque system identified that handwritten cheques are not entered into the accounting records until the bank reconciliation process is carried out ie they are not entered at the point they are written out.</p> <p>Risk: <i>Should details of the content of the safe be required for example after theft these could not be provided.</i></p>	<p>Details of manual cheques written should be entered into the accounting system at the point they are written.</p> <p>A log should be held of the content of the safe.</p>	<p><u><i>Response of Chief Fire Officer</i></u></p> <ol style="list-style-type: none"> <i>1. Manual cheques are now being coded at source</i> <i>2. The contents of the safe will be checked and recorded.</i> <p><u><i>Date for implementation</i></u></p> <ol style="list-style-type: none"> <i>1. Already implemented</i> <i>2. To be implemented within 1 month</i> <p><u><i>Officer responsible for implementation</i></u></p> <p><i>Principal Accountant</i></p>

Audit Finding	Recommendation	Management Response
Value for money areas (Desirable changes to procedures to improve value for money)		
<p>5. Payment terms of suppliers</p> <p>At the point a supplier is set up on the financial system the Authority's payment terms are agreed with the supplier as 30 days unless the supplier has negotiated separate agreement terms with the supplier.</p> <p>The previous accounting system had settlement terms set up as 25 days ie 5 days shorter than the current financial terms. Suppliers data migrated from the old accounting system to the current accounting system have the 25 days migrated across.</p> <p>Risk: <i>The shorter payment terms may restrict the cash flow of the authority.</i></p>	<p>Changing the payment terms of suppliers on the default payment terms of 25 days should be investigated to establish if they can be changed to 30 days. This may aid cash flow for the authority.</p>	<p><u>Response of Chief Fire Officer</u></p> <p><i>Payment terms can be changed, but this requires manual amendment and will be time-consuming. The Systems Accountant will investigate to see if this process can be automated – if it can then payment terms will be changed, otherwise they will be left at 25 days. New suppliers are set up as 30 days so over time the impact of this issue will reduce.</i></p> <p><i>In addition, the payment terms will be amended when other supplier amendments are made.</i></p> <p><u>Date for implementation</u></p> <p><i>Within 6 months</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Principal Accountant</i></p>

To: Chief Fire Officer

Subject: SharePoint

Date: March 2015

17 Introduction

- 17.1 We have audited the use of SharePoint within the Fire and Rescue Service, with particular attention being given to the security of the site and the control over access to information stored.
- 17.2 SharePoint is used across the service to store files that are accessed by the entire service and by individual sections. For example, the FRS Intranet is hosted on SharePoint.

18 Audit opinion

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



LIMITED ASSURANCE

Risk levels are high



Reasonable Assurance



Substantial Assurance

As we have provided only limited assurance, a follow-up review will be arranged in six months' time to assess progress in implementing our recommendations.

19 Risk areas examined

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

<i>Risk description</i>
1. Lack of awareness and governance regarding SharePoint content.
2. Unauthorised access, change, deletion or disclosure of data.
3. Inadequate or non-existent audit trails for usage and administrative access.
4. Failure to provide for service continuity.

20 Audit findings

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

- Risk 2:
 - User access to sites and sub-sites is sometimes provided by the use of group membership, linked to information held in Active Directory. This should facilitate changes to SharePoint access as staff join, leave and move within NFRS.
 - Unique permissions have been applied to certain sub-sites in order to provide better protection of content.
- Risk 4 :
 - The live SharePoint server was last updated in February 2013 and the test server in February 2014. Both servers have service pack 1 installed and it was agreed during the audit that service pack 2 would be installed on the test server; tested and then applied to the live environment. As action has been agreed in respect of this issue; no related recommendation is made.
 - SharePoint is protected by Sophos antivirus solution, which is maintained up to date by the ICT team.
 - Business continuity and disaster recovery are facilitated by the performance of back-ups, in accordance with Microsoft's recommended back-up regime, and the replication of the server environment at the disaster recovery site at Highfields station. The successful testing of the recovery arrangements has been carried out by ICT.

20.2 There were some weaknesses, resulting in remaining risks. The attached Action Plan sets out these weaknesses, and our recommendations to address them.

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

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
High priority	1	Immediate
Medium priority	5	Within two months

High priority areas:

- Auditing of actions on SharePoint has not been planned and implemented (see Action Plan 1).

Medium priority areas:

- Information management is not governed by up to date policies and guidance (see Action Plan 2).

- There has been an absence of training in respect of the use of SharePoint, although the recently appointed SharePoint Development Officer is developing training material for this purpose (see Action Plan 3).
- Full control at site collection level is given to too many users (see Action Plan 4).
- Permissions at site and sub-site levels show high numbers of members with design rights which indicates a lack of planning concerning the allocation of user permissions (see Action Plan 5).
- Encryption is not used to protect sensitive data (see Action Plan 6).

Audit conducted by: Paul Bellamy, QiCA, ICT Auditor

Audit supervised by: Rob Disney, CPFA, Audit Team Leader

J M Bailey CPFA, Head of Internal Audit

Audit Finding	Recommendation	Management Response
High priority areas (essential for effective internal control, must implement recommendations to improve existing control arrangements)		
<p>1. Audit logs</p> <p>The examination of SharePoint settings revealed that auditing is enabled. However, actions recorded and retention periods have not been planned, and the logs are not reviewed.</p> <p>Risk: <i>The investigation of actions on the site could be compromised.</i></p>	<p>Auditing requirements should be determined by identifying the actions that need to be monitored. This would include, for example:</p> <ul style="list-style-type: none"> - Which user edited a particular document/ content and when they did this. - Editing of users and permissions. <p>The retention period for audit logs and access to them should be determined, having regard to any storage limitations, impact on system performance and monitoring arrangements.</p>	<p><u>Response of Strategic Director of Finance and Resources</u></p> <p><i>NFRS ICT are currently reviewing a number of commercial off the shelf solutions that will gather and report against SharePoint Audit and Security Logs. A procurement process will be defined and a request for quotation exercise run to find a suitable solution.</i></p> <p><u>Date for implementation</u></p> <p><i>30-10-2015</i></p> <p><u>Officer responsible for implementation</u></p> <p><i>Head of ICT</i></p>

Audit Finding	Recommendation	Management Response
Medium priority areas (highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>2. Information management</p> <p>Information management is not governed by up to date policies and guidance. The service has a records management policy that is dated 2006, but is incomplete. It omits the identity of the owner/originator and main contacts in respect of archiving, records management, retention periods and freedom of information.</p> <p>The list of contents at the beginning of the policy does not correspond with the content that follows.</p> <p>The policy includes the provision for its review every three years, but there is no evidence that any reviews have taken place.</p> <p>There is no reference in the policy to data security classification, which could result in the inappropriate disclosure of sensitive information.</p> <p>Risk: <i>Information might not be managed in accordance with current organisational and legislative requirements and standards.</i></p>	<p>The records management policy should be reviewed and updated. Contents should include:</p> <ul style="list-style-type: none"> ▪ Roles and responsibilities ▪ Maintaining the integrity of records ▪ Security marking in accordance with the organisation's data classification scheme ▪ Storage and access controls ▪ Retention and disposal ▪ Compliance with regulations and standards, including the Data Protection and Freedom of Information Acts. ▪ Provision for regular reviews. <p>Further guidance is available on the Information and Records Management Society website (www.irms.org.uk).</p>	<p><u>Response of Strategic Director of Finance and Resources</u></p> <p><i>NFRS are currently reviewing Information Management processes and capabilities. The current records management policy will be reviewed as part of this exercise and amended in-line with the advice provided in this report.</i></p> <p><u>Date for implementation</u> 31-03-2016</p> <p><u>Officer responsible for implementation</u> <i>Head of Corporate Services</i></p>

Audit Finding	Recommendation	Management Response
<p>3. SharePoint training</p> <p>The service does not provide dedicated SharePoint training, but currently relies on guidance notes on how to use the Intranet site.</p> <p>The SharePoint Development Officer is in the process of developing guidance on the use of SharePoint for future publication.</p> <p>Risk: <i>Inefficient and ineffective use of SharePoint that could result in inappropriate publication of sensitive information.</i></p>	<p>Continue the development of training material, but also incorporate advice concerning data classification.</p>	<p><u><i>Response of Strategic Director of Finance and Resources</i></u></p> <p><i>End user training is currently being rolled out by the SharePoint Development Officer on a case-by-case basis, as new solutions and sites are being developed. In respect of Permission and user management, where possible and appropriate, specific training will be delivered to Site / List Owners.</i></p> <p><i>Alongside this work, a new SharePoint Development Strategy is being created by NFRS ICT, Senior Management and an external consultant (risual) which will prioritise end-user training on the upgraded SharePoint solution.</i></p> <p><u><i>Date for implementation</i></u></p> <p><i>31-03-2016</i></p> <p><u><i>Officer responsible for implementation</i></u></p> <p><i>Head of ICT</i></p>

Audit Finding	Recommendation	Management Response
<p>4. SharePoint site collection permissions</p> <p>There are 10 members of the site owners' group, which gives full control over the site and its content. This level of access is only appropriate for a limited number of users who are authorised to change the structure, settings and appearance of a site.</p> <p>Risk: <i>Inappropriate changes to a site that could adversely affect its content and/or visibility.</i></p>	<p>The membership of the owners' group should be reviewed with the objective of allocating this role to a minimum number of people, with others being re-assigned to appropriate roles, such as 'member' or 'visitor'.</p>	<p><u><i>Response of Strategic Director of Finance and Resources</i></u></p> <p><i>Membership of the owners' group has been reviewed and reduced to three members of ICT.</i></p> <p><u><i>Date for implementation</i></u></p> <p><i>16-03-2015 - Complete</i></p> <p><u><i>Officer responsible for implementation</i></u></p> <p><i>SharePoint Development Officer</i></p>
<p>5. Site and sub-site permissions</p> <p>It is standard practice to limit the number of local administrators on a site or sub-site to two persons, as these users have privileged access rights. A review of sites and sub-sites showed that, in some cases, there are a large number of users who have design rights, rather than allocating them to roles suitable to their use of SharePoint.</p> <p>It was also noted that requests for user access to sites and sub-sites are often received and fulfilled by the ICT team, subject to owners' approval, rather than being managed by local administrators.</p> <p>Risk: <i>Unauthorised and unplanned changes to the content, layout or permissions of a site or sub-site.</i></p>	<p>In order to protect sites from unauthorised change, permissions should be planned on the basis of providing users with the least privilege possible for the functionality required.</p> <p>User access should be managed by local administrators in conjunction with site and sub-site owners.</p>	<p><u><i>Response of Strategic Director of Finance and Resources</i></u></p> <p><i>New SharePoint sites and site collections are being built with unique permissions that are appropriate to the users (only). The responsibility for managing permissions at site and list level after handover to the Site/List Owner(s) is to be managed by the Site/List Owner(s). This will be an on-going process since it requires more detailed conversations and training than has previously been delivered.</i></p> <p><u><i>Date for implementation</i></u></p> <p><i>16-03-2015 - Complete</i></p> <p><u><i>Officer responsible for implementation</i></u></p> <p><i>SharePoint Development Officer</i></p>

Audit Finding	Recommendation	Management Response
<p>6. Data encryption</p> <p>In order to protect sensitive data it is possible to encrypt files before they are uploaded into SharePoint. There has not been any consideration of using this at NFRS.</p> <p>Risk: Sensitive data could be accessed, changed or disclosed without authority.</p>	<p>Consideration should be given to encrypting sensitive data before storing in SharePoint.</p> <p>This should be planned in conjunction with establishing strong control over access permissions and the application of data classification standards.</p>	<p><u><i>Response of Strategic Director of Finance and Resources</i></u></p> <p><i>NFRS have implemented encryption on laptops and tablet devices to protect sensitive data from the point of origin. The Metalogix StoragePoint solution , which is to be used at NFRS, has the capability to encrypt SharePoint data and this will be reviewed prior to implementation. NFRS also have rights to utilise Windows Server Active Directory Rights Management Services and this solution is currently under review.</i></p> <p><u><i>Date for implementation</i></u></p> <p><i>30-08-2015</i></p> <p><u><i>Officer responsible for implementation</i></u></p> <p><i>SharePoint Development Officer</i></p>