



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

INTERNAL AUDIT ANNUAL REPORT 2017/18

Report of the Chief Fire Officer

Date: 29 June 2018

Purpose of Report:

To bring to the attention of Members the annual report prepared by the Authority's Internal Auditors, including the outcomes of two additionally commissioned audits, which includes the Internal Audit Strategy for 2017/18 to 2019/20.

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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 2017/18 is attached in full as Appendix A to this report.
- 1.3 Under the provisions of the Code of Practice on Local Authority Accounting, the Authority is required to annually review its arrangements for the provision of Internal Audit and comment on that review. This report sets out the basis of that review and a draft statement on Internal Audit is included in the annual Report (sections 3 and 4).
- 1.4 Two further audits were commissioned during the year. A specialist tax audit was undertaken to ensure that the service is tax compliant. The final audit related to the firefighter pension administration where a joint audit was undertaken by Leicestershire County Council Internal Audit team on behalf of the three services which use Leicestershire County Council's firefighter pension team.

2. REPORT

NOTTINGHAMSHIRE COUNTY COUNCIL INTERNAL AUDITOR'S REPORT

- 2.1 The Auditor's report is attached at Appendix A. It is divided up into four sections:
 - A A narrative summary to 31 March 2018.
 - B A summary of reports issued to date
 - C An analysis of progress against plan for 2017/18
 - D Internal Audit Plan for 2018/19
- 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 operation.
- 2.3 The narrative section 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 2017/18 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 Fire Authority in July as part of the Statement of Accounts.

- 2.5 Section B provides a summary of the assurance levels for all audits completed during the year. All audits were assessed as either Reasonable or Substantial Assurance.
- 2.6 Section C shows the Auditors actual performance against planned activity for the year 2017/18. All audits have either been completed or are awaiting the final report with the exception of the audit of the Trading Company which was not undertaken pending the review of the governance arrangements which were approved by Fire Authority on 8 June 2018.
- 2.7 Section D shows the internal audit plan for 2018/19 and the draft plan for 2019/20 and 2020/21, which represents the Internal Audit strategy for the medium term period. The plan for 2018/19 has been agreed by the Head of Finance following consultation with Heads of Departments, but there is sufficient flexibility to amend the plan if circumstances require alternative work to be carried out by the Auditors in the year. The draft plan for the following two years will be considered by Officers before the start of each year to allow for changing areas of risk to be accommodated within the future plan, if required.
- 2.8 Reports not previously brought to this committee are given in full in Appendix B to this report.

REVIEW OF INTERNAL AUDIT

- 2.9 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”*
- 2.10 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.
- 2.11 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.
- 2.12 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.
- 2.13 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.

- 2.14 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.

SEPARATELY COMMISSIONED AUDITS

TAX AUDIT

- 2.16 A specialist high level taxation review was undertaken by PSTAX during the year to ensure that the Authority is compliant with its statutory obligations regarding Employment Taxes, the Construction Industry Scheme (CIS) and VAT.
- 2.17 The employment tax audit identified that the policies and records kept by the Service appeared to be good for the majority of areas reviewed. Some changes to policies were identified in areas such as travel expenses, car leasing, termination payments and CIS to ensure compliance with employment tax. These policies are now in the process of being reviewed to ensure future compliance.
- 2.18 A potential underpayment of tax and National Insurance contributions was identified relating to the vehicle lease scheme offered to essential car users. PSTAX are working with officers and HMRC on the Service's behalf to identify the extent of the problem and how it can be resolved. The issues have been corrected going forward.
- 2.19 Similarly the VAT review identified that there was clear evidence in terms of staff awareness and delegation of duties that the service has acknowledged the importance of VAT compliance. There were again a number of areas where action was recommended in terms of policy documentation, procedural changes, staff guidance and training. All these areas are now under review. The Service has joined the PSTAX Club which offers advice to a number of Fire Authorities. The Club offers access to training courses for Officers and access to a tax helpline. Further training is in the process of being organised for the wider Finance team as well as those specifically responsible for VAT.

PENSION ADMINISTRATION AUDIT

- 2.20 The firefighters' pension schemes for Nottinghamshire, Derbyshire and Leicestershire Fire Authorities are administered by Leicestershire County Council. The internal audit function of Leicestershire County Council has undertaken an audit of fire pension administration on behalf of the three Fire Authorities.

- 2.21 The audit looked at the validity and accuracy of calculations with regard to payments for new pensions and lump sums, that starters and leavers were properly accounted for and that contribution bandings and pension increases were properly applied.
- 2.22 The audit opinion was that of substantial assurance. There was one minor recommendation which was that pension increases should be independently verified when being input on the system and evidence kept that this had taken place. There were no errors in the sample checked as part of the audit.
- 2.23 There will be a further joint pension audit on data quality and GDPR during 2018/19 to provide assurance around some of the risks identified in the Pensions risk register. This will form the basis for a data improvement plan which is a document that is needed to meet the good practice guidelines from The Pensions Regulator.

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

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

The contents of this report indicate compliance with statutory legislation and regulations relating to local authority finance and audit accounts and audit.

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 pension audit was undertaken across the 3 Fire Authorities (2.21 – 2.23) and it is anticipated that future fire fighter pension audits will be undertaken in a similar manor. The Internal Audit service is provided by Nottinghamshire County Council. There may be opportunities for further collaborative procurement of Internal Audit services in the future.

10. RECOMMENDATIONS

That Members note the contents of this report and approve the Internal Audit Strategy for 2018/19 to 2020/21, as set out in Section D of the Internal Audit Annual Report 2017/18.

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

INTERNAL AUDIT ANNUAL REPORT 2017/18 TO THE CHIEF FIRE OFFICER

<u>SECTION</u>	<u>CONTENTS</u>
A	Narrative Summary to 31st March 2018
B	Summary of Reports Issued to Date
C	Detailed Analysis of Progress against Plan for 2017/18
D	Internal Audit Plan for 2018/19

INTERNAL AUDIT ANNUAL REPORT 2017/18

SUMMARY

Audit coverage for the twelve months to the end of March 2018

- 1.1. 14 audits were planned for completion in 2017/18. This included five audits brought forward from 2016/17.
- 1.2. Eight¹ final reports were issued in 2017/18, comprising five reports relating 2016/17 audits and three relating to 2017/18.
- 1.3. Draft reports have been issued in respect of two additional audits (Property and Premises and Payroll Post Migration). The audits of Project Management, Purchasing and Creditors and Cardiff Checks 2017/18 selection are substantially complete, with the draft reports due to be issued by June 2018. The remaining audit – NFRS Trading was not carried out at the request of the Head of Finance.
- 1.4. All areas reviewed to date as part of the 2017/18 Plan have been categorised as providing substantial or reasonable assurance. Follow-up work is being carried out to confirm that agreed actions for high and some medium risk recommendations are being carried out.
- 1.5. Overall, the audit reports issued during the year confirmed that satisfactory control procedures are in operation.
- 1.6. A summary of draft and final reports issued in the 2017/18 financial year, together with the 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.

Audit Strategy

- 2.1 A risk analysis and strategy for 2018/19 is attached. (Section D).

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

¹ In addition, 2 draft reports were completed but not issued until after the year end and are referenced in Section B.

(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 Head of Finance, under the delegated authority of the Treasurer (Section 112 officer for the Fire Authority under the Local Government and Finance Act 1988) 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.
- 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 2017/18 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.

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 2018

**SUMMARY OF REPORTS ISSUED TO THE FIRE AND RESCUE
SERVICE FOR THE FINANCIAL YEAR 2017/18
AS AT 31st MARCH 2018**

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 level of assurance provided following each audit is selected from the following table. Based upon the audits carried out in the year, we have assessed them against the assurance criteria and categorised them as follows:

Level of Assurance	Definition	Audits	Report Ref
Limited Assurance	Risk Levels are High	None	n/a
Reasonable Assurance	Risk Levels are Acceptable	Asset Management (Redkite)	2017-01
		Income and Debtors	2017-03
		Treasury Management	2017-08
		Property & Premises	2017-06
Substantial Assurance	Risk Levels are low	Capital	2016-01
		Pensions	2016-10
		Corporate Governance	2016-03
		Payroll Post Migration	2017-04
Other	Consultancy - Report is for information only	Cardiff Checks 2016/17 Selection	2016-02
	Consultancy Report	Payroll Pre Migration Project	2016-09

Audit Recommendations

A summary of the recommendations for each of the audits issued is provided below:

	Audit	High	Med	Low	Action Agreed
1	Asset Management	1	6	2	Final issued. Recommendations were made concerning the accurate and prompt recording of assets in Redkite. Action was agreed in all areas.
2	Income and Debtors	0	5	1	Final issued. Recommendations were made to enhance controls regarding postal income and debt management procedures. Action was agreed in all areas.
3	Treasury Management	0	3	2	Final issued. The three medium risk recommendations are being implemented.
4	Property & Premises	2	5	1	Draft issued March 2018. Final issued June 2018. Various recommendation were made concerning the management and maintenance of property and all actions were agreed.
5	Capital	0	1	3	Final issued. Action has been confirmed concerning the one medium risk recommendation in relation to single source supply procedures.
6	Pensions	0	0	1	Final issued. The one low risk recommendation has been implemented.
7	Corporate Governance	0	0	3	Final issued. Recommendations

	Audit	High	Med	Low	Action Agreed
					have been implemented.
8	Payroll – Post Migration	1	0	3	Draft issued April 2018. Final issued May 2018. All actions were agreed.
9	Cardiff Checks – 2016/17 selection	0	1	0	Final issued. The recommendation was in relation to missing workflows in the Agresso system.
10	Payroll Pre Migration Project	0	0	0	Final issued – no recommendations.

2017/18 AUDITS IN PROGRESS AT 31/3/18

1. **Cardiff Checks (2017/18 selection) – Audit commenced in April 2018. Fieldwork in progress.**
2. **Project Management – Audit in progress. Draft report expected to be issued in May 2018.**
3. **Purchasing and Creditors – Audit in progress. Draft report expected May/June 2018.**
4. **NFRS Trading – Audit no longer required – time to be allocated to contingency in 2018-19.**

Information and Advice

This year, Internal Audit brought in a new approach to follow-up work in order to obtain assurance that the actions proposed by management in response to Internal Audit's recommendations were being taken. This assurance is obtained in two phases, as set out below:

Priority rating of recommendation	Phase 1 Management assurance	Phase 2 Internal Audit Assurance
High	Assurance complied by Finance Team (twice annually) is sought from management that all agreed actions have been taken	Compliance testing scheduled to confirm all agreed actions relating to high priority recommendations are carried out consistently.
Medium		Compliance testing is scheduled for selected medium priority actions
Low		No Internal Audit compliance testing is carried out

Follow up reports will be presented to the Finance and Resources Committee.

COMBINED FIRE AUTHORITY - INTERNAL AUDIT PLAN FOR 2018/19

SERVICE AREA	Assessed Risk	Audit Frequency (Years)	Year Last Audited	2017/18 Plan	2018/19 Proposed Draft Plan	2019/20 Proposed Draft Plan	2020/21 Proposed Draft Plan
Contingency (to be allocated)			2014/15	0	10	0	0
Anti- Fraud Procedures	Medium	Requested	2015/16			10	
Assets	Medium	4	2017/18	10			
Capital	Medium	3	2016/17			10	
Cardiff Checks/Analytical Checks	Medium	Annual	2017/18	10	10	10	10
Contract Management	Medium	3	2016/17		10		
Corp Governance	Medium	2	2016/17		10		10
Financial Management	High	2	2016/17		10		10
Computer/ICT	Med/High	2	2016/17			10	
Project Management	High	2	2017/18	10		10	
Income & Debtors	Medium	3	2017/18	10			10
Members/Officers Allowances	Medium	3	-		10		
Partnerships	Medium	3	2015/16		10		
Payroll	Medium	3	2017/18			10	
Payroll Migration	High	Requested	-	10			
Pensions (LG scheme - starters, amendments,changes)	Med/High	2	2016/17		10		
Property/Premises	Medium	3	2017/18	10			10
Purchase Cards	Medium	3	2016/17			10	
Purchasing & Creditor Payments	Medium	3	2017/18	10			10
Risk Management	Medium	3	2016/17			10	
Transport	Medium	4	2015/16				10
Treasury Management	Medium	3	2017/18	10			10
Possible New Areas							
GDPR - Possible data breaches	Medium		-				
H&S procedures compliance	Medium		-				
HR Policy documents	Medium		-		10 *		
Security on site	Low		-				
Follow-up Audits (H/M priority)		Annual		5	5	5	5
Client Management				7	7	7	7
Total planned days for the year				92	102	92	92

*Contingency b/fwd from 2016-17

10 Days

To: The Chief Fire Officer
Subject: Asset Management (Redkite System)
Date: December 2017

1 Introduction

1.1 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 two whole time and one retained Fire Stations (Arnold, Highfield and Bingham Fire Stations).

Controls were tested through the physical verification of the assets and examination of assets at these stations.

1.2 In addition to recording and managing the service's operational assets, the system is used to record the testing and physical verification of equipment.

The system has been introduced for all Fire Stations and outstations. It is the responsibility of all watches to ensure it is maintained with checks of assets being carried out on a weekly basis or as and when required by the system.

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

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>
System logging	Without the appropriate logging of assets, test records may not be kept up to date.
Inventory checking	Assets which are lost or stolen may not be identified in

	a timely manner.
Equipment defects	Without the appropriate identification and recording, equipment that does not meet the required standards may not be identified.
Reporting	The asset management system may not be used effectively and reported problems may not be acted on within an appropriate timescale.
System security	Failure to restrict access to add, delete or change data appropriately may result in inappropriate changes being made.

3.2 The scale of the area reviewed is: -

<i>Metric</i>	<i>2017/18</i>
Number of Assets in Redkite	12,388
Value of Assets recorded in Redkite	£1.6m
Number of Fire Appliances	32
Value of Fire Appliances	£10.4m (estimate based on average value of £250k - £400k per Appliance)

4 Audit findings

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

- System Logging - Formal guidelines are in place for the management of operational equipment.
- Inventory Checking - The process for the checking of inventory items occurs routinely at stations.
- Equipment defects - The Redkite system is used for the reporting and management of equipment defects effectively.
- Reporting - The system generates appropriate reports to aid the management of the operational assets.
- Systems security - The access of individual users of the system is managed through individual user IDs and passwords.

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

4.3 A summary of the recommendations made, together with 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	6	Within two months
Low priority	2	Within six months
Value for money	0	As soon as practicable

High Priority areas:

- The testing and inventory checking may not be managed using the asset numbers attached to the individual operational assets.

Medium Priority areas:

- Equipment being stored at the Mansfield Fire Station and could be utilised elsewhere is not recorded on the Redkite system.
- Where an appliance is removed from a station, the equipment is not always recorded as moved on the system. As a result the equipment appears as missing until it is returned.
- Equipment held in outstations is not recorded in the Redkite system resulting in inaccuracies in the system.
- Redkite has been rolled out to all stations and outstations. However is not effectively used in Mansfield store due to the lack of wi-fi connection.
- A review of user access levels identified a significant number of users with full access rights.
- Users of the Redkite system have a user ID and password. The passwords of users are not secure.

**Audit conducted by: Helen Lomas
Auditor**

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

Rob Disney, Head of Internal Audit

Internal Audit report 2017-01 – Dec 2017	ACTION PLAN Asset Management (Redkite System)	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
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High priority areas (Essential for effective internal control, must implement recommendations to improve existing control arrangements)

<p>1. Testing of usage</p> <p>During the audit visit to Arnold Fire Station it was noted that the bar codes for the breathing apparatus were printed out and stuck on the wall of the station. This was for the ease of staff when carrying out the checks.</p> <p>A review of after usage testing identified that this testing is not always recorded on Redkite. The after usage testing of three stations was reviewed for 21 May to 21 June as follows;</p> <ul style="list-style-type: none"> • Mansfield Station (Large Station) four times • Bingham Station (Retained Station) twice • Stockhill Station (Busiest Station) ten times <p>The testing regime for breathing apparatus requires that it is tested every time someone takes over the apparatus, ie at a change of shift. Testing also takes place following any use as well as routine quarterly testing.</p> <p>Risk: <i>The testing process may be missed on a specific item of apparatus or the wrong bar code may be scanned if a bar code is scanned other than on the one attached to the equipment.</i></p>	<p>When carrying out testing and inventory checks the bar code on the actual piece of equipment should be used for scanning.</p> <p>After usage testing should always be recorded on the Redkite system.</p>	<p>Response</p> <p>Staff to be told that they have to use mobile scanners to scan individual barcodes, and not to print from the computer.</p> <p>Date for implementation <i>31 January 2018</i></p> <p>Officer responsible for implementation <i>POC Station Officers</i> <i>Watch Managers</i> <i>Crew Managers</i> <i>Individuals</i></p>
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Internal Audit report 2017-01 – Dec 2017	ACTION PLAN Asset Management (Redkite System)	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Medium priority areas (Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>2. Utilisation of stored equipment</p> <p>The Redkite system is used to record the equipment held on appliances at each of the Fire Stations. A number of pumping appliances were decommissioned and the equipment was placed in store at the Mansfield Fire Station. This equipment is not recorded on the Redkite system so there is not a detailed list of the equipment which could be reused on other appliances.</p> <p>Risk: Replacement equipment may be being purchased unnecessarily.</p>	<p>The equipment held at the Mansfield store which is not currently recorded on the Redkite system should be recorded on the system and brought back into circulation. If it is not possible for the equipment to be monitored online because of the lack of an intranet connection this should be manually monitored and the details uploaded off line.</p>	<p>Response Wi-fi has been installed since the Audit and Equipment recorded in Redkite.</p> <p>Date for implementation 01 October 2017</p> <p>Officer responsible for implementation ICT Department</p>
<p>3. Equipment moved without formal authorisation</p> <p>Equipment collected after an operational incident may end up on a different appliance following a major incident. This will be recorded at the next Redkite checking process and any equipment will be reallocated to the appropriate appliance.</p> <p>Where an appliance is removed from a station for example for servicing or adaption, there is no process in operation within Redkite to show the removal of the appliance and equipment held on it. The appliance and equipment on it will be recorded as missing until the appliance is returned and the checking process is carried out.</p> <p>Risk: Equipment and assets may appear to be missing on the system even though their location are actually known.</p>	<p>At the point an appliance is removed from a station for service or adaption, the Redkite record should be adjusted to show the appliance and equipment are out of service.</p>	<p>Response Engineering section will implement a strategy that will remove all equipment from spare appliances other than those elements of equipment that require to stay due to servicing issues. This will ensure that all equipment from the receiving station stays with the reserve appliance. It will require operational crews to completely re-stow the reserve appliance and record that work in Redkite.</p> <p>Date for implementation 31 January 2018</p> <p>Officer responsible for implementation Fleet Maintenance Manager Asset Manager</p>

Internal Audit report 2017-01 – Dec 2017	ACTION PLAN Asset Management (Redkite System)	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>4. Location of assets</p> <p>An asset will be recorded as being at a station until the assets is recorded elsewhere. At the point of the asset check at a station, any asset which is currently offsite would be recorded as missing. As a result of this, assets removed to outstations or for example Stores, would be shown on Redkite as missing whilst they are away from the station even though they are not officially missing.</p> <p>Risk: <i>Documentary evidence of the location of some of the assets may not be recorded accurately.</i></p>	<p>On receipt or collection of the assets by outstations the assets location on Redkite should be recorded and not shown on the system as missing.</p>	<p>Response Staff to be told that they must accept the items of equipment on RedKite on all occasions when equipment is moved from locations to a separate location. This will be checked as part of an audit of Redkite carried out jointly by Engineering and Service delivery.</p> <p>Date for implementation <i>31 January 2018</i></p> <p>Officer responsible for implementation <i>POC Station Officers Watch Managers Crew Managers Individuals</i></p>
<p>5. Use of Redkite at locations without wi-fi</p> <p>The Redkite system has been rolled out to all Fire Stations to allow for the monitoring and testing of assets. However, some outstations such as Mansfield Station Store, do not use Redkite due to the lack of wi-fi.</p> <p>Risk: <i>The system will not be fully implemented</i></p>	<p>The system should be reviewed to ensure that the assets held at locations without wi-fi access are still included on the Redkite system. If this is not achievable using the on-line system, then consideration should be given as to how the data may be captured in a different manner.</p>	<p>Response Wi-fi has been installed since the Audit and equipment recorded in Redkite.</p> <p>Date for implementation <i>01 October 2017</i></p> <p>Officer responsible for implementation <i>ICT Department</i></p>

Internal Audit report 2017-01 – Dec 2017	ACTION PLAN Asset Management (Redkite System)	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>6. Restriction of access levels</p> <p>A review of the 1,288 users set up on the system identified 18 users with 'Full Security Access' rights to all locations. Of these, 16 users had full access as opposed to read only. This level of access provides full system administrator rights.</p> <p>Risk: <i>Inappropriate changes may be made to the system if users have access beyond their operational needs.</i></p>	<p>Full security access to the Redkite system should be restricted to a minimal number of people.</p>	<p>Response Access levels have been adjusted accordingly.</p> <p>Date for implementation <i>01 October 2017</i></p> <p>Officer responsible for implementation <i>Asset Manager</i></p>
<p>7. User passwords</p> <p>Access to the system is controlled by a user ID and password. However, passwords are not sufficiently complex and may be used by other staff.</p> <p>Risk: <i>Unauthorised access may be gained to sensitive information, data may be intentionally overwritten or other user profiles and access levels may be accessed.</i></p>	<p>Users should have a secure password. Users should be able to change passwords as necessary.</p>	<p>Response Completed, all users have been reminded to change their passwords.</p> <p>Date for implementation <i>01 October 2017</i></p> <p>Officer responsible for implementation <i>Asset Manager</i></p>

Internal Audit report 2017-01 – Dec 2017	ACTION PLAN Asset Management (Redkite System)	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
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Low priority areas (Desirable for effective internal control, may implement recommendations to improve existing control arrangements)

<p>8. Procedural testing documentation</p> <p>Procedural documentation for the testing of equipment is held on both the Intranet and within the Redkite system. The documentation is manually uploaded into the Redkite system, although we are told that management are currently considering options to have the procedures in one place.</p> <p>Risk: <i>There is a risk that versions of the procedural testing documentation may differ between the intranet and Redkite. As a result the incorrect version of the testing documentation may be followed.</i></p>	<p>Options to maintain Redkite procedures in one place and provide links to that version, should continue to be explored to ensure consistency and appropriate version control.</p>	<p>Response</p> <p>There is a risk however our current operating system and recording of information is such that there are two places that this information is stored.</p> <ol style="list-style-type: none"> 1. Redkite 2. Intranet <p>The working relationship between the Risk Assessor and the Asset manager is such that there is constant dialogue about when documents are updated that this issue has never occurred.</p> <p>Date for implementation <i>Ongoing</i></p> <p>Officer responsible for implementation <i>Risk Assessor</i> <i>SDC</i> <i>Asset Manager</i></p>
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Internal Audit report 2017-01 – Dec 2017	ACTION PLAN Asset Management (Redkite System)	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>9. Management of system users</p> <p>A report was extracted by the software providers showing the access of users of the system. This showed there were 1,288 users set up on the system. Audit testing showed that over 600 of these users had not used the system.</p> <p>Whilst reviewing the users on the system it was noted that there was a generic account set up for Stores, Transport and Redkite staff. This was reviewed during the audit and generic users were removed.</p> <p>Risk: <i>Access to sensitive data may be compromised.</i></p>	<p>Access to the system should only be granted to those who use the system. Periodic reviews of users' access should take place to prevent unauthorised access.</p>	<p>Response</p> <p>It is recognised that the list of users need updating and cleansing.</p> <p>This is an ongoing project for those individuals listed below.</p> <p>Date for implementation <i>31 January 2018</i></p> <p>Officer responsible for implementation <i>Bewater Administrator</i> <i>iTrent Admin</i> <i>Asset Manager</i></p>

To: The Chief Fire Officer

Subject: NFRS Income and Debtors

Date: March 2018

1 Introduction

1.1 We have audited the procedures established for the management of the NFRS debtors system. This includes a review of income codes, debtor transactions and related records for the financial year 2017/18.

1.2 The objectives of the system are to ensure:

- Correct charges are raised for all income due and debt related income is received through approved financial channels that offer secure and efficient administration facilities.
- Debt income received is promptly, securely and accurately processed and posted to the correct account in the Agresso financial management system.
- Recovery of debt is managed efficiently and effectively.
- Debt cancellation and write-off procedures have been agreed and write-offs are authorised in line with policy.

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

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>
Income Received	Income may not be positively identified and delays may occur in processing.
Payment Recording	Processing delays or inaccuracies in recording income may lead to inaccurate debtor accounts and

	inappropriate debt reminder and recovery procedures.
Debt Recovery Procedures	Without adequate controls, management of debt may be ineffective.
Debt Write-off and Refunds	Debt may be reduced inappropriately or fraudulently, resulting in financial loss.

3.2 The scale of the area reviewed is: -

<i>Metric</i>	<i>2015-16 actual</i>	<i>2016-17 actual</i>	<i>2017-18 estimated</i>
<i>Income (£m)</i>	<i>1,323,941.73</i>	<i>2,320,312.94</i>	<i>2,269,784</i>
<i>Percentage of Revenue Budget</i>	<i>3.16</i>	<i>5.63</i>	<i>5.56</i>

4 Audit findings

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

- Income Received - Procedures have been established for the accurate receipting and recording of income received via BACs, post and over the counter. Arrangements are generally operating satisfactorily, however, see section 4.3 concerning the security of income received through the post.
- Payment Recording - All income received is promptly and accurately recorded, processed and banked. Manual and computer systems provide an audit trail of income received and processed.
- Debt Recovery Procedures - Procedures have been established concerning debt cancellation and write-off and debts are followed up in accordance with a recovery timetable. The Agresso system facilitates the identification and monitoring of aged debt, however see section 4.3 concerning the management of debtors and follow-up action.
- Debt write-off and refunds - Procedures have been established concerning debt cancellation and write-off and debts are followed up in accordance with the policy. However, see section 4.3 concerning separation of duties in the management and write-off of debts.

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

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

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
High priority	0	Immediate
Medium priority	5	Within two months
Low priority	1	Within six months
Value for money	0	As soon as practicable

Medium Priority areas:

- Cheques and property are left unattended in an unlocked room until collection by the finance staff.
- Invoices are amended and cancelled within the system without separate authorisation.
- Debt follow-up actions are being completed outside of the debtors system. Debt monitoring is mainly carried out by an individual employee, there is no evidence of any reviews or discussions by senior staff.
- The approval for debtors to pay by instalment is not approved by the person detailed within the debt management procedural document.
- There is a lack of separation of duties within the debt write-off process within the Agresso system.

**Audit conducted by: Deborah Whitaker
Auditor**

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

Rob Disney, Head of Internal Audit

Internal Audit report 2017-03 – March 2018	ACTION PLAN NFRS Income and Debtors	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Medium priority areas (Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>1. Receiving income at reception</p> <p>Postal income is received in reception along with other mail. Mail addressed to the finance office is opened in reception and cheques are recorded in a postal remittances register. However, only one member of staff opens the mail. Internal Audit previously recommended that there should be two members of staff opening the mail but NFRS has chosen to accept the risk due to resourcing issues.</p> <p>The cheques are then stored in a location which is not secure, prior to being collected by the finance team. The door to this room is left open, allowing access to be gained from within the building and the main entrance.</p> <p>Risk: <i>Theft of or loss of income.</i></p>	<p>Consideration be given to increasing security by the addition of a key or swipe pad on the door.</p>	<p>Response Reception will make Finance aware when the post arrives if it contains cheques. Finance will pick up post promptly to ensure not left in insecure environment.</p> <p>Date for implementation 28 February 2018</p> <p>Officer responsible for implementation Corporate Admin/Finance team</p>
<p>2. Amendments to invoices</p> <p>Invoices are amended/cancelled by the Payroll Assistant. There is some evidence of discussion with the original requisitioner of the charge, through detail being added to the requisition form or email correspondence. However, there is not always documentary evidence of separate authorisation especially if the invoice is cancelled rather than amended and re-issued. During the current financial year eight invoices totalling £21,803.70 were identified as being cancelled. Our review of four (including the largest value £19,021) identified the original requisitioner being involved on only one occasion.</p> <p>Risk: <i>A lack of separate authorisation within the process could lead to valid invoices being removed from the system.</i></p>	<p>There should be two people involved in the invoice amendment and cancellation process.</p>	<p>Response Agresso controls to be amended to ensure proper segregation of duties.</p> <p>Date for implementation 28 February 2018</p> <p>Officer responsible for implementation Systems Accountant</p>

Internal Audit report 2017-03 – March 2018	ACTION PLAN NFRS Income and Debtors	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>3. Follow-up and management of debt</p> <p>The Agresso system has the capability to run a report and produce reminder letters. Reminder letters are not currently raised and issued through the debtors system, therefore the aged debt report produced from the system does not reflect the debt recovery process undertaken against each debtor. The value of debt at the time of the audit (November 2017) totalled £7,486.</p> <p>Debtors are managed by an individual employee due to the limited number of invoices raised. It is understood there is a periodical discussion with the Head of Finance regarding the outstanding debt, however there is no formal documentation to review this. There is no evidence there has been discussions regarding the level of debt since September 2017.</p> <p>Risk: <i>Debt may not be followed up or reviewed according to the procedural documents.</i></p>	<p>A review of the finance system is undertaken to re-instate the production and recording of reminder letters.</p> <p>Management reviews of the aged debts should be documented to show management are aware of the debt level and agree with the decisions made by the Payroll Assistant.</p>	<p>Response</p> <p>6 weekly review meetings to be set up with Head of Finance to discuss Debtor issues. Outstanding debt will be a standing item on the agenda at these meetings.</p> <p>Date for implementation 28 February 2018</p> <p>Officer responsible for implementation Head of Finance</p>
<p>4. Formal approval of debts paid by instalment</p> <p>The Fire Authority has a formal debt management procedural document which requires payments by instalment to be approved by the Principal Accountant (now Head of Finance). From reviewing documentation it was established the agreement to pay by instalments is being undertaken by the Finance Assistant without reference to the Head of Finance.</p> <p>Risk: <i>Instalment arrangements may be put in place in unsuitable circumstances or on unfavourable terms for the Fire Authority.</i></p>	<p>Approval of debt being paid by instalments should be documented/reviewed in accordance with Policy.</p>	<p>Response</p> <p>Payment by instalments will be approved at the 6 weekly debt review meetings.</p> <p>Date for implementation 28 February 2018</p> <p>Officer responsible for implementation Payroll Assistant/Head of Finance</p>

Internal Audit report 2017-03 – March 2018	ACTION PLAN NFRS Income and Debtors	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>5. Separation of duties within the debt write-off process</p> <p>Whilst there is separation of duties within the debt write-off process in that documents are manually printed off and authorised, the same person carries out both the proposal and confirmation processes in Agresso.</p> <p>Risk: <i>A lack of separation of duties within the debt write-off process could lead to debts being written off inappropriately.</i></p>	<p>To ensure adequate separation of duties, two people should be involved in the debt write-off process within Agresso.</p>	<p>Response Agresso controls to be amended to ensure segregation of duties</p> <p>Date for implementation 28 February 2018</p> <p>Officer responsible for implementation Systems Accountant</p>

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

<p>6. Debt Recovery Guidance</p> <p>Procedural guidance for the debt recovery process is available on the local computer drive. The notes are dated 2012 and do not reflect current job titles in use within the Fire Service.</p> <p>Risk: <i>There may be confusion over who is responsible for debt recovery processes or procedures may not be consistently applied to all outstanding debt.</i></p>	<p>The procedure guidance should be reviewed periodically to ensure it remains appropriate and reflects accurately the staff involved.</p>	<p>Response Will be reviewed</p> <p>Date for implementation 31 March 2018</p> <p>Officer responsible for implementation Payroll Assistant</p>
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To: The Chief Fire Officer

Subject: NFRS Treasury Management

Date: January 2018

1 Introduction

- 1.1 We have audited records to ensure that policies and procedures are in accordance with CIPFA guidance and have been applied during the period under review. We assessed the adequacy and effectiveness of control measures in relation to treasury management activities.

- 1.2 The objectives of the system are to manage the investments and cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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

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>
Treasury Management Policy and Procedures	Inappropriate investments may occur if there is a lack of strategy, prudential indicators are not complied with or there is a lack of transparency and oversight.
Financial Obligations	Without sufficient financial resources readily available, the Fire Authority may not be able to meet its financial obligations.

<i>Risk title</i>	<i>Description</i>
Fraud or error	Without adequate controls, fraud and/or errors may occur having an impact on the Service's treasury management activities.
Borrowing	Borrowing may be entered into with unfavourable terms and conditions for the Authority.
Loan repayments	Loan repayments and interest due may not be paid on time or may not be for the correct amount.
Investments	Money may be lost due to inappropriate or unsafe investments.

3.2 The scale of the area reviewed is: -

<i>Treasury management indicators</i>	<i>2015-16 actual</i>	<i>2016-17 actual</i>
<i>External debt</i>	<i>£20.3m</i>	<i>£23.3m</i>
<i>Investments</i>	<i>£5.5m</i>	<i>£9.5m</i>
<i>Net debt position</i>	<i>£14.8m</i>	<i>£13.8m</i>

4 Audit findings

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

- Treasury Management - Policy and Procedures - There is an up to date treasury management policy statement which covers the organisation's strategy and practice. There are also treasury management procedures. Annual reports are submitted to Members on performance and compliance with prudential indicators. However, see action point 1.
- Financial Obligations - Detailed cash flow forecasts are maintained and updated regularly. Transactions are posted promptly in the finance system and overdraft facilities are in place.
- Fraud or Error - Access to the payment system is restricted and regular independent bank reconciliations are undertaken. Employees undertaking treasury management activities are suitably qualified and sufficient insurance cover is in place. However, see action point 2.
- Borrowing - Loans are authorised correctly and recorded accurately. However, see action point 4.
- Loan Repayments - Interest and repayments are checked for accuracy and all repayments are independently authorised.
- Investments - Advisors are consulted prior to undertaking investment decisions. Written confirmation of terms and conditions relating to the investments are retained. The majority of investments complied with the Treasury Management strategy. However, see action points 3 and 5.

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

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

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
High priority	0	Immediate
Medium priority	3	Within two months
Low priority	2	Within six months
Value for money	0	As soon as practicable

Medium Priority areas:

- Out of date and inadequate policies on legal responsibilities concerning money laundering.
- Failure to promptly remove or amend authorisers on the payment system.
- Interest received on investments is not adequately checked.

**Audit conducted by: Lesley Bulman
Auditor**

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

Rob Disney, Head of Internal Audit

Internal Audit report 2017-08 – Jan 2018	ACTION PLAN NFRS Treasury Management	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Medium priority areas (Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>1. Money laundering policy</p> <p>There is an anti-fraud and anti-corruption policy, however, this is out of date (dated 2007) and does not directly address legal responsibilities concerning money laundering.</p> <p>Risk: <i>Without adequate guidance, employees may not comply with money laundering requirements.</i></p>	<p>The anti-fraud and anti-corruption policy should be reviewed and updated to include legal responsibilities concerning money laundering.</p>	<p>Response The policy was internally reviewed in 2014, but is due another renewal.</p> <p>Date for implementation <i>30 September 2018</i></p> <p>Officer responsible for implementation <i>Head of Finance</i></p>
<p>2. Access to the payment system</p> <p>The previous Head of Finance, left the Fire Service in June 2017. However, she was still shown on the payment system as an active user in November 2017. The new Head of Finance started in September 2017 but had not been set up as a user at the time of audit (November 2017).</p> <p>Risk: <i>Inappropriate system access for leavers and restricted functionality for new employees.</i></p>	<p>Leavers should be removed promptly from payment systems. New employees should be added to systems on induction.</p>	<p>Response A process will be put in place to remove leavers from the banking system promptly. New employees will be added as soon as practically possible but this requires a change in the bank mandate which can be delayed if there are simultaneous changes in mandate signatories, which has happened in this instance.</p> <p>Date for implementation <i>15 January 2018</i></p> <p>Officer responsible for implementation <i>Assistant Head of Finance</i></p>

Internal Audit report 2017-08 – Jan 2018	ACTION PLAN NFRS Treasury Management	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>3. Return on investments</p> <p>Interest due on investments is calculated and recorded, however, there is no evidence that amounts received are checked to expected returns. Therefore the accuracy of interest receivable is not confirmed.</p> <p>Risk: <i>Incorrect investment returns may be received.</i></p>	<p>Interest received from investments should be checked to expected interest due to confirm accuracy and this check should be evidenced.</p>	<p>Response</p> <p>Interest received is logged on the Prudential Code worksheet in the main Cash Flow spreadsheet. From now on all interest received will be checked for accuracy, and a comment to that effect will be added to the cell on the worksheet.</p> <p>Date for implementation <i>15 January 2018</i></p> <p>Officer responsible for implementation <i>Accountancy Assistant</i></p>

Internal Audit report 2017-08 – Jan 2018	ACTION PLAN NFRS Treasury Management	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Low priority areas (Desirable for effective internal control, may implement recommendations to improve existing control arrangements)		
<p>4. Loan interest rates</p> <p>Interest rates are monitored and comparisons are made prior to taking out new loans, however, evidence of the comparison is not always retained.</p> <p>Risk: <i>Optimal interest rates may not be obtained, therefore additional financing costs may be incurred.</i></p>	<p>Evidence of comparative loan interest rates available at the time the loan is taken out should be retained on file.</p>	<p>Response</p> <p>Long term loans are almost always taken from the Public Works Loan Board which tends to offer marginally lower than market interest rates, reflecting the ability of the government to borrow cheaply. In the event that cheaper market loans are available, our treasury advisors would make us aware of them. In the absence of such information, the default lender will be the PWLB.</p> <p>Evidence of interest rate comparisons for short term loans will be retained with immediate effect.</p> <p>Date for implementation <i>15 January 2018</i></p> <p>Officer responsible for implementation <i>Senior Accountant/Accountancy Assistant</i></p>

Internal Audit report 2017-08 – Jan 2018	ACTION PLAN NFRS Treasury Management	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>5. Investments - consultation with Advisors</p> <p>Investments sampled had been subject to external advice. However, we noted for short term investments, evidence of consultation with external Advisors was not retained on file.</p> <p>Risk: <i>The best returns on investments may not be obtained if advice is not appropriately sought.</i></p>	<p>Evidence to support consultation with Advisors, should be obtained and retained for all future investments.</p>	<p>Response</p> <p>When making an investment the Authority will compare rates on existing notice accounts against indicative rates provided by BGC Sterling brokers, and rates published on the Link Passport System. External advisors are not necessarily consulted for short term transactions given that it is not a strategic decision and does not have a long term impact. Staff are suitably qualified and have sufficient working knowledge to make these decisions without the assistance of the Authority's External Advisors.</p> <p>Evidence of interest rate comparisons will be retained with immediate effect.</p> <p>Date for implementation <i>15 January 2018</i></p> <p>Officer responsible for implementation <i>Senior Accountant/Accountancy Assistant</i></p>

To: Chief Fire Officer

Subject: Property/Premises

Date: June 2018

1 Introduction

- 1.1 We have audited the processes in place to manage and maintain the Fire Authority premises, to ensure they meet operational requirements at an acceptable cost, consistent with the principles of best value. The Fire Authority has 27 properties with a total value of £49.2 million recorded in the 16/17 financial accounts. Buildings and property maintenance records are maintained in the Concerto Computer Aided Facilities Management system (CAFM). This also includes the recording of certificates of compliance with legislative requirements and management of planned and reactive maintenance.
- 1.2 The report sets out the findings of the review of the processes and procedures in place.

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

3 Risk areas examined

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

<i>Risk title</i>	<i>Description</i>
Completeness and accuracy of records	Land and property records may not be complete, accurate or maintained up to date.
Maintenance of premises	The maintenance of premises including health and safety and risk management procedures may not be efficiently or effectively managed.

<i>Risk title</i>	<i>Description</i>
Contractor selection	Inappropriate procedures may be in place for contractor selection and appointment.
Management information	Performance and management information reporting procedures may not be appropriate.

3.2 The scale of the area reviewed is: -

<i>Metric</i>	<i>2017/18</i>
<i>Reactive Maintenance Expenditure</i>	<i>£202,750</i>
<i>Preventative Maintenance Expenditure</i>	<i>£455,327</i>
<i>No of properties</i>	<i>27</i>

4 Audit findings

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

- Completeness and accuracy of records - The Concerto system has been developed to record details of properties held by the Fire Service and to manage the maintenance and legislative requirements of the properties more effectively than in prior years.
- Maintenance of premises - The property of the Fire Authority is maintained and monitored against a statutory compliance register. This records legislative requirements for the properties as well as the reactive maintenance on the properties. A red, amber, green (RAG) rating system is used to help identify non-compliance and current compliance is in line with performance indicators.
- Contractor selection - A multi activity contract has been set up to manage the awarding of contracts for the general maintenance of Fire Authority properties.
- Management Information - Regular reports are provided to management to monitor property maintenance costs.

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

4.3 A summary of the recommendations made, together with 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	2	Immediate
Medium priority	4	Within two months
Low priority	1	Within six months
Value for money	0	As soon as practicable

High Priority areas:

- A number of properties have multiple occupancy with other services such as the police and ambulance service. Lease agreements are not in place for all of these properties and checks are not in place to ensure recharges are appropriately made.
- Inadequacies were seen in the process for the recording of property condition surveys. This should continue to be developed in line with RICS guidelines.

Medium Priority areas:

- A monitoring spreadsheet has been developed to monitor the statutory inspections which are to be carried out. The actions recorded on the spreadsheet should all be supported by appropriate certificates and followed up where necessary.
- Evidence of periodic building checks should be obtained for all services checked.
- Charging by contractors is currently on a day rate basis rather than using industry standard charging rates.
- Annual reviews of insurance cover and certification of the industry standard for contractors is required to ensure they are adequately maintained.

**Audit conducted by: Helen Lomas
Auditor
Audit supervised by: Angela Wendels
Senior Auditor**

Rob Disney, Head of Internal Audit

Internal Audit report 2017-06 – June 2018	ACTION PLAN Property/Premises	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
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High priority areas (Essential for effective internal control, must implement recommendations to improve existing control arrangements)

<p>1. Shared Land and Property Interests</p> <p>Several properties owned by the Fire Authority are either shared with other organisations or leased to other organisations such as the Police, East Midlands Ambulance Service (EMAS) and St John Ambulance. At the time of review (November 2017) the following issues arose:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Issue at time of Audit (Nov 17)</th> <th style="text-align: left;">Status at March 2018</th> </tr> </thead> <tbody> <tr> <td>EMAS have used Eastwood Fire Station since 1976 with no formal lease in place. This has always been an informal arrangement and EMAS pay 50% of the utilities only.</td> <td>Fire Service will be moving out of these premises shortly.</td> </tr> <tr> <td>The 50 year lease with the Police Authority for the use of Clifton Station had an outstanding rent review.</td> <td>This rent review is now complete and there is no change in rent charges.</td> </tr> <tr> <td>No lease is in place for St John Ambulance's use of Highfields.</td> <td>A draft lease is with the solicitor now.</td> </tr> <tr> <td>Only a draft lease is in place for London Road</td> <td>Discussions are taking place between Fire, EMAS and Police concerning the future use of the site. Once agreed, an appropriate lease will be issued. Meanwhile, a lease charge of £8,200 pa is being paid.</td> </tr> </tbody> </table> <p>At the time of the audit there wasn't an effective audit trail to check that the appropriate utility bills had been recharged and all of the income had been invoiced and collected. This exercise is to be carried out by the Estates Department. We are informed that utility bills have since been re-charged to all appropriate premises. Closer scrutiny and monitoring is now taking place to ensure all income due is received.</p> <p>Risk: <i>Income due to the service may be forgone.</i></p>	Issue at time of Audit (Nov 17)	Status at March 2018	EMAS have used Eastwood Fire Station since 1976 with no formal lease in place. This has always been an informal arrangement and EMAS pay 50% of the utilities only.	Fire Service will be moving out of these premises shortly.	The 50 year lease with the Police Authority for the use of Clifton Station had an outstanding rent review.	This rent review is now complete and there is no change in rent charges.	No lease is in place for St John Ambulance's use of Highfields.	A draft lease is with the solicitor now.	Only a draft lease is in place for London Road	Discussions are taking place between Fire, EMAS and Police concerning the future use of the site. Once agreed, an appropriate lease will be issued. Meanwhile, a lease charge of £8,200 pa is being paid.	<p>Appropriate measures should be in place to ensure that suitable leases are in place in the future and the recharges have been made.</p> <p>An effective audit trail should be maintained in the Agresso system so that there is clarity regarding charges and payments received from shared properties and these charges and payments should be checked for accuracy by the Estates Department.</p>	<p>Response</p> <p>All leases/licences that can be in place are or are in the process (with solicitors) to be put in place. Eastwood due to the time precedence will continue to be joint occupied by EMAS. NFRS have contacted EMAS to have a retrospective lease put in place.</p> <p>A master spreadsheet of all recharges across the Estate to be written showing history of and future increase recharges.</p> <p>Date for implementation <i>June 2018</i></p> <p>Officer responsible for implementation <i>Estates Manager</i></p>
Issue at time of Audit (Nov 17)	Status at March 2018											
EMAS have used Eastwood Fire Station since 1976 with no formal lease in place. This has always been an informal arrangement and EMAS pay 50% of the utilities only.	Fire Service will be moving out of these premises shortly.											
The 50 year lease with the Police Authority for the use of Clifton Station had an outstanding rent review.	This rent review is now complete and there is no change in rent charges.											
No lease is in place for St John Ambulance's use of Highfields.	A draft lease is with the solicitor now.											
Only a draft lease is in place for London Road	Discussions are taking place between Fire, EMAS and Police concerning the future use of the site. Once agreed, an appropriate lease will be issued. Meanwhile, a lease charge of £8,200 pa is being paid.											

Internal Audit report 2017-06 – June 2018	ACTION PLAN Property/Premises	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>2. Conditions Surveys</p> <p>At the time of audit, we were advised that property condition surveys were conducted on a 3-year rolling program. The method of recording condition surveys in the past and action taken on them has not been appropriate as follow up actions have not taken place and are not fed into the planned maintenance budget.</p> <p>We are advised that new systems are currently under development in line with the Royal Institute of Chartered Surveyors (RICS) guidance. Condition surveys will classify the conditions into the following 3 categories:</p> <ol style="list-style-type: none"> 1. no action required 2. action required to be planned 3. requires immediate action <p>In addition it was noted that mechanical and electrical surveys (M&E) at asset level 4 (eg fitted equipment such as boilers, air conditioning units, electrical fittings, plumbing and other major components) have not been carried out since 2013. Also, when this was last done, the information was not used to produce a maintenance register. Therefore, these assets have been managed on a reactive basis, rather than according to a formal plan and have therefore not formed part of the planned maintenance budget. From discussion with the Estates Manager, the whole estate needs to be resurveyed. This may require a Mechanical Engineering consultant to be contracted to provide the appropriate expertise, however, once done, this should help to plan for repairs in a more cost effective way.</p> <p>Risk: <i>The planned maintenance budget may not be based on the best sources of information available and reduced value-for-money may be achieved from the maintenance work carried out.</i></p>	<p>Management need to continue to put together a process to enable property conditions to be recorded and classified in accordance with industry standards, such as RICS. The surveys should record the condition of the property when inspected, together with appropriate action to be taken and timescale for the works. Any works requiring immediate action should be identified and actioned appropriately. All other non-immediate works needed should be recorded in the maintenance programme and budget as planned maintenance and prioritised according to the condition assessment.</p> <p>Mechanical and Electrical surveys (asset level 4) should be undertaken to allow these assets to be included as part of the planned maintenance rather than on a reactive basis.</p>	<p>Response An M&E Asset Survey has been ordered with a specialist M&E Consultant Engineer. Building Condition Surveys will be carried out late summer/autumn 2018 (currently out to tender). Results and findings of the 2 detailed surveys will be implemented into the already live 5 and 10 Year Forward Maintenance Register (FMR).</p> <p>Date for implementation <i>February 2019</i></p> <p>Officer responsible for implementation <i>Estates Manager</i></p>

Internal Audit report 2017-06 – June 2018	ACTION PLAN Property/Premises	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Medium priority areas (Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>3. Monitoring and Inspection Reports</p> <p>Annual or periodic checks are recorded on the NFRS Estates Statutory Compliance Register and this provides statistics for the compliance of key performance indicators (KPIs). The spreadsheet is maintained to monitor statutory inspections and certification of property functions for example gas safety, lift inspections, asbestos etc. This records the date of the last inspection, next inspection due and whether it is a pass or fail.</p> <p>A sample of 10 certificates was reviewed in January 2018 to ensure the spreadsheet correctly recorded statutory checks and the certificates were recorded in Concerto.</p> <p>The Mansfield Station fixed wire check did not have a copy of the certificate within Concerto at the time of the audit sample. A copy was obtained and uploaded to Concerto during the audit.</p> <p>The Carlton Station lift assessment showed failures of the system which had not been actioned since the inspection on 6/11/17. We have since been advised by the Estates Manager that the lifting, operations and lifting equipment regulations 1998 (Lolar) require that lifting devices are independently checked for insurance purposes and this inspection which was a recommendation and not critical for immediate repair has since been actioned.</p> <p>Testing also revealed that the Horizontal Air Receiver test undertaken at the Service Development Centre (SDC) in Ollerton showed a failure in February 2017. However the Zurich Crimson system (used for insurance purposes) which is used as an online reporting tool to record inspection activity, showed a pass in March 2017.</p> <p>Risk: <i>Compliance is not transparent. Corrective actions may not be carried out promptly.</i></p>	<p>The spreadsheet used to record statutory inspections should be reviewed to ensure that all the compliance certificates are recorded correctly and a copy of the certificates is either on Concerto or Zurich Crimson. Procedures should ensure that information is uploaded into the system accurately.</p>	<p>Response</p> <p>We currently operate a NFRS Estates Statutory Compliance Register showing RAG status throughout the Estate. The Data is imputed manually by the Estates and Facilities Officer monthly.</p> <p>Regular Audits (bi-annually) by the Estate Manager are to be introduced with a 5% random sample of statutory documentation.</p> <p>Date for implementation <i>June 2018</i></p> <p>Officer responsible for implementation <i>Estates Manager</i></p>

Internal Audit report 2017-06 – June 2018	ACTION PLAN Property/Premises	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>4. Periodic Service Contracts</p> <p>A sample of 10 periodic services were checked to the Estates Statutory Compliance Register to ensure they were supported by appropriate documentation/certification showing the testing has taken place.</p> <p>Two of the sample were for fire alarm testing at Worksop and Bingham Stations which should be carried out on a weekly basis. The cost per test is £60.77. There is an assumption that the weekly tests are undertaken by the contractor Ampton, however evidence of this testing is not checked back to the supporting documentation.</p> <p>Risk: <i>Charges may be made for services not provided or services may not be subject to the appropriate testing.</i></p>	<p>Evidence should be obtained to confirm all periodic testing has been carried out including the weekly fire alarm testing. This could be done by Fire station staff recording weekly tests in the RedKite System.</p>	<p>Response Weekly Fire Alarm tests are now carried by Fire Service Staff and recorded on the RedKite system. This has reduced the Planned Maintenance Budget liability by £26,000 per year.</p> <p>Date for implementation <i>April 2018</i></p> <p>Officer responsible for implementation <i>Estate Manager</i></p>
<p>5. VFM in the Multi Activity Contract (MAC)</p> <p>Formal procedures were followed for the appointment of a Multi Activity Contract (MAC). Ampton were appointed to manage the MAC. The contract has been running since 1.5.16 and will continue until 30.4.19 with the option to extend for a further 2 years.</p> <p>However, the contract was set up to charge work out on an hourly rate, rather than the national schedule of rates (NSR), or other recognised schedule, which provides industry wide standard labour constants for different repair jobs.</p> <p>An audit carried out by NFRS in July 2017 identified errors amounting to approximately £6,000 in overcharges. This was linked to inaccurate and overcharging of planned and preventative maintenance activities. We are advised, the £6,000 has since been recovered.</p> <p>Risk: <i>The Fire Authority may not be obtaining best value for the services provided.</i></p>	<p>At the point the MAC contract is renewed or the contract is presented for re-tender, more detailed research should be carried out to compare rates on a range of jobs against the NSR, and then determine on what basis the future contract should be tendered.</p>	<p>Response The points identified are accepted and were identified by Estates before the Property Audit. Most of the issues have been addressed through a series of contract amendments which took effect 1 April 18. Other points such as labour constants linked to an industry standard document will be addressed at the next tender.</p> <p>Date for implementation <i>1 April 18</i></p> <p>Officer responsible for implementation <i>Estates Manager</i></p>

Internal Audit report 2017-06 – June 2018	ACTION PLAN Property/Premises	OFFICIAL SENSITIVE
Audit Finding	Recommendation	Management Response
<p>6. Current Insurance and Industry Standard Registrations</p> <p>At the point the MAC contract was awarded (May 2016), checks were made to ensure the level of contractor insurance was appropriate and that certification of the Industry Standards were current. These checks have not been repeated annually during the contract period to ensure they remain current.</p> <p>Risk: <i>The level of insurance cover may no longer be held at appropriate levels or may have lapsed.</i></p>	<p>On an annual basis the level of insurance cover and registration with industry standards should be reviewed to ensure they remain current within the MAC contract.</p> <p>At the point the contract is re-tendered, consideration should be given to including the requirement for contractors to provide evidence of annual compliance certificates.</p>	<p>Response Insurances and all other accreditations are now uploaded to a folder on Concerto along with a renewal matrix spreadsheet.</p> <p>Date for implementation <i>1 April 18</i></p> <p>Officer responsible for implementation <i>Estates Manager</i></p>
<p>Low priority areas (Desirable for effective internal control, may implement recommendations to improve existing control arrangements)</p>		
<p>7. System Access</p> <p>Buildings and property maintenance records are maintained in the Concerto system, together with compliance records.</p> <p>The Concerto system can be accessed by a large number of users out at establishments for the reporting of defects. Users' access to the system is not subject to review. As a result there is no process in place for removing the access of leavers.</p> <p>During the audit it was identified that a number of leavers were still listed as having live access to the system however, a number of new staff did not have access set up. From discussion with the Estates Manager, we are advised that many of those users who have left have read-only access and this was demonstrated during the audit. Also we are advised that once a user has been removed from the NFRS network, they are unable to access Concerto even if their access remains live in the system. Whilst the risk may be minimised by the controls over the removal of leavers from the network, there remains an issue concerning the accuracy of and completeness of database users.</p> <p>Risk: <i>Inappropriate access may be gained to records.</i></p>	<p>The list of users should be brought up to date and the system for the setting up and the removal of users from the Concerto system needs to be reviewed to ensure that only those who should have access do have access. This could involve adding Estates team to the email circulation list for the notification of starters and leavers.</p>	<p>Response The Database will be cleansed to remove leavers and add new starters. Estates are now notified by HR for all new starters and leavers.</p> <p>Date for implementation <i>August 2018</i></p> <p>Officer responsible for implementation <i>Estates Manager</i></p>

To: Chief Fire Officer

Subject: NFRS - Capital

Date: November 2017

1 Introduction

- 1.1 We have audited the arrangements established by management to use capital expenditure in a planned, economic and effective manner to maintain and develop the infrastructure and service provided by Nottinghamshire Fire and Rescue Service.
- 1.2 The purpose of the report is to provide assurance that controls in relation to the capital programme are operating in accordance with the financial regulations, financial procedures and the CIPFA prudential code for capital finance.

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>
Authorisation	The capital programme, and projects within it, are not authorised
Strategy	The projects in the capital programme do not support the Fire Service's wider corporate strategies or business plans
Resourcing	The capital programme, and projects within it, are not properly funded
Scheme Management	The projects are not delivered, or overspend
Programme Monitoring	The capital programme is not delivered, or overspends

3.2 The value of the capital programme for 2016/17, approved before the start of the year, was as follows:

	2016/17 (£)
Transport	1,158,231
Equipment	157,000
Property	347,500
ICT	255,450
ICT Systems	46,000
Total	1,964,181

3.3 The above total was subsequently increased to £5,984k after receiving slippage of £2,809k from 2014/15 and £1,211k from 2015/16. At the time of our review in January 2017 it was estimated that £3,255k would eventually be spent in 2016/17.

4 Audit findings

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

- The capital programme is authorised by the Authority prior to the financial year. There is detailed budget guidance which includes a timetable of preparations leading up to this.
- There has been significant activity in 2016/17 on introducing strategies in the three largest areas of capital expenditure (transport, property and ICT). The strategies are consistent with the capital programme.
- The capital programme is properly financed with budgets for the projects within it. Revenue costs related to the programme (loan payments and interest) are also properly provided for.
- Individual projects and purchases are properly managed, approved and procured. The delivery of projects is properly monitored including in a Key Projects Report to the Executive Delivery Team.
The Assistant Head of Finance has regular meetings with budget holders to obtain comprehensive details of progress on projects to report to the Strategic Leadership Team and the Finance & Resources Committee.
- The delivery of the programme is monitored monthly by the Strategic Leadership Team and quarterly in reports to the Finance & Resources Committee. The latter are accompanied by reports on performance against the indicators in the CIPFA Prudential Code for Capital Finance.
The programme has significantly underspent in recent years, which is mentioned in this audit report, and this has been addressed during 2016/17 with the introduction of the strategies mentioned above.

4.2 We found some control weakness resulting in remaining risks. The attached Action Plan sets these out and our recommendations to address them.

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

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
High priority	0	Immediate
Medium priority	1	Within two months
Low priority	3	Within six months

Medium Priority area:

- A purchase was not competitively tendered, for appropriate reasons, but the business case submitted in accordance with the 'Single Source Supply Procedure' did not include a justification for the tendering procedures being waived.

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

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

Rob Disney, Head of Internal Audit

Internal Audit final report 2016-01 – November 2017	ACTION PLAN NFRS - Capital	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Medium priority areas (Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>1. Single Source Supply Procedure</p> <p>One of the capital purchases that we examined was replacement rescue equipment (hoses and pumps) which were purchased for £157,000 without competitive tendering. We agree that this approach was justified. The hoses and pumps are used to power rescue equipment (cutters, spreaders and rams). All of this equipment was originally from one supplier. To replace all of the equipment a quotation of £765,000 was obtained. However, the cutters, spreaders and rams do not need replacing yet. To remain compatible with this retained equipment, the new hoses and pumps had to be bought from the same supplier without a competitive procurement exercise.</p> <p>There is a 'Single Source Supply Procedure' to be followed in such circumstances and this was complied with. This procedure requires a 'Single Source Supply Justification Form' to be completed for purchases below £25,000. But for purchases above £25,000 this form is replaced by the requirement for a detailed business case to be submitted to both the Executive Delivery Team and the Strategic Leadership Team. The Head of Procurement & Resources informed us that this is to allow greater scrutiny to proposals over £25,000. The business case for the replacement rescue equipment (hoses and pumps) was satisfactory except that it did not explain that the tendering procedures were being waived.</p> <p>Risk: <i>Tendering procedures might be incorrectly waived but the waiver not be properly reported to relevant management. Procurement rules could be breached.</i></p>	<p>For purchases over £25,000 the 'Single Source Supply Procedure' requires a detailed business case for the purchase to be submitted to both the Executive Delivery Team and the Strategic Leadership Team. This procedure should require the business case to include a justification for the tendering procedures being waived.</p>	<p>Response The Procurement Officer is monitoring the justification of tenders that are being waived.</p> <p>Date for implementation <i>30 April 2017</i></p> <p>Officer responsible for implementation <i>Procurement Officer</i></p>

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Audit Finding	Recommendation	Management Response
Low priority areas (Desirable for effective internal control, may implement recommendations to improve existing control arrangements)		
<p>2. The budget approved before the year</p> <p>Prior to the 2016/17 year, in February 2016, a budget report to the Authority authorised a capital programme of £1,964k.</p> <p>The same meeting received a report entitled Prudential Code for Capital Finance 2016/17 which shows a higher figure for capital expenditure of £4,505k. It explains that the figure is higher because of slippage from previous years.</p> <p>This slippage was not mentioned in the budget report.</p> <p>Risk: Authority Members, and other users of the budget report, are unaware of the full extent of money available to spend in the following year.</p>	<p>The budget report approved before the start of the year should make it clear if the money actually available to spend will be higher because of slippage from previous years.</p>	<p>Response</p> <p>The budget report is for Members to agree the setting of the budget for the forthcoming year. The slippage relates to the budget that have previously been set, and the revenue impact of the previous year has also been approved in previous year's budget setting.</p> <p>In future budget reports a paragraph will be added to refer member's to previous year's slippage, however a separate report for slippage will still be produced.</p> <p>Date for implementation 28 February 2018</p> <p>Officer responsible for implementation Head of Finance</p>

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Audit Finding	Recommendation	Management Response
<p>3. Slippage and underspending</p> <p>In previous years there has been significant slippage in capital expenditure. This meant that the 2016/17 capital expenditure budget of £1,964k was increased to £5,984k after receiving slippage of £2,809k from 2014/15 and £1,211k from 2015/16. At the time of our review in January 2017 it was estimated that £3,255k would eventually be spent in 2016/17 which means that some of the slippage will have been used this year.</p> <p>The main area of underspend in 2016/17 is in Transport (estimated underspend this year of £2,062k in the January 2017 budget monitoring report to the Finance & Resources committee) which was fully explained in that committee report. The next highest underspend is ICT's Business Process Automation (estimated underspend this year of £215k) which is significantly smaller. Although the purpose of this ICT spend is described in the report, the slippage is not properly explained – the report just says 'It is expected that there will be some slippage relating to ICT projects at this stage in the year.'</p> <p>There has been significant activity in 2016/17 on introducing strategies in the three largest areas of capital expenditure (transport, ICT and property) and these do address the areas of slippages / underspends.</p> <p>The Vehicle Replacement Strategy was issued in October 2016 and set out how much money is needed in future years. In 2017/18 it needs £1,070k and in 2018/19 needs £258k. These needs are less than the £2,062k estimated underspend on transport that could be carried forward at the end of 2016/17, and also less than the future transport budgets in the Authority's 3-year plan.</p> <p>Risk: <i>The reason for underspending might not be communicated. Remedial action is not taken to use the funds in the most effective way.</i></p>	<p>The reasons for all significant underspending should be included in the quarterly budget monitoring report to the Finance & Resources committee.</p> <p>The budgets for Transport may need to be reduced to more accurately reflect the needs of the Vehicle Replacement Strategy.</p>	<p>Response</p> <p>A review of the existing appliance equipment inventory will help inform the types of vehicles required to meet the operational need of Service Delivery and help fulfil the objectives of the Sustainability Strategy 2020. The outcome of this work will determine the type and number of vehicles required for part of the overall long-term vehicle capital replacement plan. This will be incorporated in the budget going forward.</p> <p>More detail will be put in the reports going forward for ICT.</p> <p>Date for implementation <i>28 February 2018</i></p> <p>Officer responsible for implementation <i>Head of Finance</i></p>

Internal Audit final report 2016-01 – November 2017	ACTION PLAN NFRS - Capital	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>4. CIPFA prudential code for capital finance</p> <p>The Authority reports on all of the indicators relating to capital expenditure in the CIPFA prudential code for capital finance. One of the indicators is called 'external debt' and was referred to by this title when the indicators were presented to the Authority before the start of 2016/17.</p> <p>The CIPFA prudential code says that this indicator should be referred to as actual external debt and shall be expressed in the following manner: Actual external debt as at xx/xx/xx = actual borrowing as at xx/xx/xx + actual other long-term liabilities as at xx/xx/xx</p> <p>When the results of the indicators for 2015/16 were presented to the Authority in September 2016 this one was referred to only as 'Total borrowing as at 31 March 2016 was £20.337m.'</p> <p>Risk: <i>A minor non-compliance with the CIPFA prudential code for capital finance. The amount was correctly reported but the description was different.</i></p>	<p>The prudential code indicator for 'external debt' should be presented as set out in the CIPFA prudential code for capital finance.</p>	<p>Response This is a minor point as the Authority holds no "other long term liabilities", but wording will be corrected going forward.</p> <p>Date for implementation <i>30 September 2018</i></p> <p>Officer responsible for implementation <i>Head of Finance</i></p>



OFFICIAL SENSITIVE

To: Chief Fire Officer

Subject: NFRS - Pensions

Date: May 2017

1 Introduction

- 1.1 The Nottinghamshire Fire and Rescue Authority maintains a pension fund consisting of employee and employer contributions. Pension payments are made from this fund. The fund is topped up by a Central Government grant if the contributions are insufficient to meet the pension payment and any surplus would be recouped by Central Government. The scheme is administered by Leicestershire County Council.
- 1.2 The purpose of the report is to provide assurance that adequate controls exist to ensure that the admittance of new members including transfers, grant claim procedures and payroll coding are carried out in accordance with the prescribed policies and procedures.

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>
Grant claim procedures	Central Government grants are not calculated and claimed correctly.
Contributions to modified scheme	Errors are made in calculating and collecting contributions into the modified scheme in respect of retained firefighters.
Payroll coding errors	Inadequate controls to prevent payments made or received being coded to/from the wrong schemes.

3.2 The scale of the area reviewed is: -

Metric	2015/16 £'000s	2016/17 £'000s
Employee contributions	2,776	2,348
Employer contributions (including ill health charge)	3,282	3,159
Other income (e.g. transfers in)	40	34
Payments from the fund (including transfers out and refunds of contributions)	16,264	15,774
Total pension fund deficit	10,166	10,233
Grant income received during the year (includes amounts received in arrears for previous financial years)	10,249	8,478
No. of contributors to the fund	682	659

4 Audit findings

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

- Grant Claim Procedures - NFRS complete a top up grant claim to cover any deficit on the pension fund. They comply with the requirements of DCLG by submitting deficit forecasts within the appropriate timescales to ensure timely grant funding and adequate cash flow provisions.
- Contributions to Modified Scheme - Procedures are in place to ensure bought back benefits are in line with policies and expected contributions are received, checked and reconciled.
- Payroll Coding - Regular checks are undertaken to ensure reconciliation is carried out on a regular basis and any potential coding errors are identified.

4.2 There was one control weakness resulting in the remaining risk. The attached Action Plan sets out this weakness and our recommendation to address this.

4.3 A summary of the recommendations made is set out below:

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
High priority	0	Immediate
Medium priority	0	Within two months
Low priority	1	Within six months
Value for money	0	As soon as practicable

**Audit conducted by: Helen Lomas
Auditor
Audit supervised by: Angela Wendels
Senior Auditor**

Rob Disney, Head of Internal Audit

Internal Audit Report 2016-10 – May 2017	ACTION PLAN NFRS - Pensions	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Low priority areas (Desirable for effective internal control, may implement recommendations to improve existing control arrangements)		
<p>1. Reconciliation of Contributions</p> <p>Detailed reconciliations are carried out in the finance office as part of the checking procedure when the returns are completed. A secondary record is held which monitors the repayments made as direct debits. This document is used to inform Leicestershire of any missing receipts which would reduce the pensioners bought back entitlement. A review of this spreadsheet identified one payment missing for an employee however on detailed checking it was confirmed this payment had been received.</p> <p>Risk: <i>The Pensioners future pension entitlement may be reduced as a result of not recording all the buy back payments received by the Authority.</i></p>	<p>Where contributions are normally received by direct debit, checks should be made to investigate any missing contributions on the monitoring spreadsheet.</p>	<p>There is a process in place for making checks, but unfortunately this one payment was missed. The spreadsheet will be monitored in future.</p> <p><u>Date for implementation</u> 16 May 2017</p> <p><u>Officer responsible for implementation</u> Head of Finance</p>

To: Chief Fire Officer

Subject: NFRS - Corporate governance

Date: August 2017

1 Introduction

- 1.1 This report sets out the findings and recommendations arising from a recent review of Corporate Governance within Nottinghamshire Fire and Rescue Service.
- 1.2 Corporate Governance is the system or rules, practices and processes by which organisations are directed and controlled. It provides a framework for attaining the organisation's objectives and as such, corporate governance is central to the running of the Authority.

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>
Decision making	Without informed, transparent decisions that are subject to effective scrutiny, the Authority may fail to achieve value for money and members or officers may not be accountable for their decisions.
Members' and officers' training and experience	Members and officers may not have the necessary support to develop their capacity and capabilities.
Standards of behaviour	Members and officers acting without integrity and compliance to codes of conduct.

3.2 The scale of the area reviewed is: -

<i>Metric</i>	<i>2014-15 actual</i>	<i>2015-16 actual</i>	<i>2016-17 estimated</i>
<i>Expenditure (£m)</i>	40.797	40.910	40.844
<i>Income (£m)</i>	1.846	2.337	2.027
<i>Capital (£m)</i>	0.202	5.282	2.539

4 Audit findings

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

- Decision making - The Fire Authority prepares an annual governance statement and has established an effective governance framework. Information to support decision making is easily accessible to stakeholders of the authority and this is supported by guidance in the form of handbooks, protocols and delegation profiles.
- Training and experience - There are mechanisms in place to ensure that officers and members charged with governance are appropriately trained and qualified to carry out their roles. A new career development process for all employees, informed by the leadership strategy, is being developed to coincide with the progression procedure. This new process will have a greater focus on self-learning.
- Standards of behaviour - The Local Code of Corporate Governance promotes the values for the Fire Service and demonstrates the values of good governance through upholding high standards of conduct and behaviour. These are communicated effectively through codes of conduct, protocols and policies that are in place.

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

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

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
High priority	0	Immediate
Medium priority	0	Within two months
Low priority	3	Within six months
Value for money	0	As soon as practicable

Audit conducted by: Ravi Rathod
CIPFA Trainee
Audit supervised by: Angela Wendels
Senior Auditor

Rob Disney, Head of Internal Audit

Internal Audit Report 2016-03 – August 2017	ACTION PLAN NFRS - Corporate governance	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
Low priority areas (Desirable for effective internal control, may implement recommendations to improve existing control arrangements)		
<p>1. Guidance on decision making body</p> <p>A Scheme of Delegation has been approved by members but the scheme could only be found as an attachment to the minutes of the committee meeting at which it was approved.</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 as was recommended in the October 2014 Corporate Governance audit report.</p>	<p>The scheme of delegation can be found within the financial principles which are published on the intranet. In the spirit of transparency these have been extracted and listed as separate documents and placed on the intranet and internet.</p> <p><u>Date for implementation</u> 04 August 2017</p> <p><u>Officer responsible for implementation</u> Area Manager Head of Corporate Support</p>
<p>2. Publication of the Register of Members' Interests</p> <p>A Register of Members' Interests has not yet been made publicly available as recommended in the October 2014 Corporate Governance audit report.</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 completed and made publicly available to promote openness and transparency as required by the Localism Act 2011 Chapter 7.</p>	<p>The register is provided via Nottingham City Council website who host the Fire Authority's Register of Members' Interest. In order to improve transparency a specific link has been placed on NFRS website to this page.</p> <p><u>Date for implementation</u> 04 August 2017</p> <p><u>Officer responsible for implementation</u> Area Manager Head of Corporate Support</p>

Internal Audit Report 2016-03 – August 2017	ACTION PLAN NFRS - Corporate governance	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>3. Staff performance and development reviews</p> <p>The Fire Authority carries out an annual assessment of individual competency of its officers through a performance and development review (PDR) process. There is a guidance document (Procedure No 2022) dated Dec 2011. This sets out that all employees should have a PDR annually between April and June and all PDRs must be completed and logged on the management information system (MIS).</p> <p>The MIS referred to above no longer exists and in 2015-16 Sharepoint was used for the first time in the PDR process. The Sharepoint PDR calendar was used to provide a list of staff where evidence of a PDR having been completed was not recorded. Due to technical issues however, it is no longer possible to run this report. Therefore Line Managers are now required to upload the dates when PDRs have been completed into the iTrent (HR) platform so that compliance with the requirements can be monitored. We are advised that a business objects report has been developed to identify those employees where there is no record of a PDR having been completed, however this report is currently being reviewed in order that the accuracy of the information being provided can be validated. We were therefore unable to confirm that the process is operating as intended or confirm PDRs have been carried out in accordance with requirements. We are advised that the Head of HR Services has updated EDT members on the current situation with recording PDRs and intends to reiterate the requirements.</p> <p>Risk: <i>Lack of robust procedures and processes to ensure that PDRs are carried out in accordance with requirements and non-compliance is promptly identified. Training and development needs may not be identified promptly.</i></p>	<p>The PDR procedures should be updated to reflect current practice.</p> <p>Management should continue to develop and test the PDR monitoring process to ensure that a robust process is in place to identify and follow up non-compliance with the required practice.</p>	<p>A complete overhaul of the PDR has now been completed. The new process has been aligned to the new service values and priorities. All staff are now using the new online PDR forms. Old paperwork and procedures have been updated and removed from the intranet and replaced with the forms. The PDR process is managed by HR who notify EDT Members if PDR's have not been completed or logged on the system. A report has also been created which details compliance with the procedure.</p> <p><u>Date for implementation</u> 04 August 2017</p> <p><u>Officer responsible for implementation</u> Head of People and Organisational Development</p>

To: The Chief Fire Officer, NFRS

Subject: Payroll - Post-migration 2017/18

Date: May 2018

1 Introduction

- 1.1 The departmental objectives of the payroll system are to pay all bona fide employees their correct pay on time and to ensure that all deductions are made correctly and paid to the relevant body. All transactions should be accounted for correctly and payroll records should be up to date, correctly input and adequately controlled.
- 1.2 This audit was requested following the implementation of the new payroll module in iTrent in April 2017. The payroll module is now integrated into the iTrent HR system, meaning that information is linked between the HR and Payroll modules, although the functions of HR and payroll operate separately. The audit assessed the effectiveness of controls in place for payroll functions including payments, deductions and variations to salary, compliance with HMRC requirements and security of data.

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>
Integrity and security of the system	Payroll details and settings may be inaccurate or not adequately maintained.
Starters	Starters may be added to payroll without authorisation.

<i>Risk title</i>	<i>Description</i>
Leavers	Leavers may not be removed correctly and promptly from the system.
Variations	Variations may be made to pay without authorisation.
Payments and Deductions	The monthly payroll, statutory returns and deductions may not be processed on time or may be incorrect.
Payroll Processing	Payments made may not be authorised or may be inaccurate.
Accounting System Records	Payroll transactions may not be accurately recorded in the accounting system.
Statutory Deductions	The correct statutory amounts may not be paid to HMRC or other organisations.

3.2 The scale of the area reviewed is: -

<i>Metric</i>	<i>2016/17 actual</i>	<i>2017/18 estimated</i>
<i>Number of Employees</i>	883	876
<i>Number of Pensioners</i>	827	836
<i>Value of Payments</i>	£2,370,511.36	£2,378,914.59

4 Audit findings

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

- Integrity and security of the system - Appropriate access levels have been established in the iTrent system to prevent unauthorised or inappropriate access to the payroll module.
- Starters - The Payroll team will only enable a new employee to be paid once the correct authorisation has been received. New employees must be added to the establishment by HR and enabled for pay in Payroll.
- Leavers - Leavers are promptly removed from payroll and any overpayments are minimised and appropriately recovered where they may occur. The new system allows greater flexibility to make changes to pay much later in the process meaning that overpayments can be reduced.
- Variations - Changes to employee pay rates and hours are only undertaken where written authorisation has been received. A range of exception reports have been established and are reviewed frequently to ensure variances in pay are identified and investigated.
- Payments and deductions - Standard exception reports are produced and checked every payroll run to identify unusually high payments. Processes are in place to check overtime and travel claims.

- Payroll processing - Procedures have been established for running the payroll. Adequate records are maintained of the payroll process and a separation of duties has been established between the Payroll functions and payment of salaries through Finance.
- Accounting system records - Payroll transactions are uploaded to the Agresso system and posted to the relevant budget.
- Statutory deductions - Reports are produced identifying the amounts due to be paid to HMRC. Payments are checked for accuracy and paid over according to the HMRC's timetable. Adjustments are corrected promptly and notified to HMRC.

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

4.3 A summary of the recommendations made, together with a brief description of the high priority area, is set out below: -

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
High priority	1	Immediate
Medium priority	0	Within two months
Low priority	3	Within six months
Value for money	0	As soon as practicable

High Priority areas:

- Staff arrangements to ensure business continuity for payroll procedures may be inadequate.

**Audit conducted by: Angela Wendels
Senior Auditor
Audit supervised by: Philip Dent
Audit Manager**

Rob Disney, Head of Internal Audit

Internal Audit report 2017-04 – May 2018	ACTION PLAN Payroll - Post-migration 2017/18	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
High priority areas (Essential for effective internal control, must implement recommendations to improve existing control arrangements)		
<p>1. Business Continuity</p> <p>The Fire Authority only has one permanent member of staff (Payroll Manager, Projects) who is able to run the payroll routines. Another member of staff (Payroll Manager) is able to run payroll procedures but this post is currently temporary.</p> <p>Once the temporary post comes to an end, the only contingency arrangements in place would be either:</p> <ul style="list-style-type: none"> • The Payroll Manager, Projects running the payroll from elsewhere with her laptop, however, this is not always possible, particularly if she is away on leave. • Finance running the payroll using the previous BACS file. Finance are able to remove payees from a BACS run but cannot change payments. Therefore any adjustments would have to be made in the next payroll run. This includes statutory deductions, changes in pay, starters and leavers, overtime and allowances. <p>The timing of the payroll runs is crucial and there are six monthly payrolls in total which must be run on the following dates to enable payments to be made on time:</p> <ul style="list-style-type: none"> • 8th of Month - Whole Time - Paid on 15th • 17/18th of Month - Non Uniform and Trading Co - Paid on 27th. • 22/23rd of Month - 2 pensions' payrolls and the Retained Fire Fighters - Paid on 31st. <p>There is a payroll timetable which has to be adhered to in order to ensure everything is processed on time.</p> <p>Risk: <i>Without adequate cover, there is a risk that the payroll will be run with errors or late. Rectifying any payroll errors could be problematic, particularly where staff are overpaid.</i></p>	<p>Consideration should be given to the staffing resources needed to ensure business continuity in the Payroll Team.</p>	<p>Response</p> <p>The post of Temporary Payroll Manger has been extended to October 2018. A review of the structure and staffing levels of the team is underway and should be reported to HR Committee on 14 July with final approval being sought from Fire Authority in September.</p> <p>Date for implementation <i>30 September 2018</i></p> <p>Officer responsible for implementation <i>Head of Finance</i></p>

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Audit Finding	Recommendation	Management Response
Low priority areas (Desirable for effective internal control, may implement recommendations to improve existing control arrangements)		
<p>2. Monthly Payroll Checklist</p> <p>From our testing of 10 payroll runs we found that five checklists had not been signed (or initialled) and dated by the person(s) completing them.</p> <p>Monthly payroll checklists are completed as a prompt to enable the person running the payroll to know that all the required procedures have been completed and secondly to provide an audit trail to confirm that exception or other reports have been reviewed, checked or submitted. Many reports are not printed out but are retained in the payroll system, hence why a checklist is used.</p> <p>This matter was discussed at the time of audit and the latest reports were signed accordingly.</p> <p>Risk: <i>Without evidence of the checks undertaken, there is no accountability.</i></p>	<p>Payroll checklists should be signed or initialled by the persons completing them.</p>	<p>Response The checklist acts more as a prompt to ensure no steps are missed, but the recommendation will be implemented in full.</p> <p>Date for implementation <i>25 April 2018</i></p> <p>Officer responsible for implementation <i>Payroll Manager - Project</i></p>

Internal Audit report 2017-04 – May 2018	ACTION PLAN Payroll - Post-migration 2017/18	OFFICIAL SENSITIVE
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Audit Finding	Recommendation	Management Response
<p>3. Expenses and Overtime Claims</p> <p>Overtime claims are currently recorded on a claim form and input by Payroll. Overtime is paid against numerous elements - depending on the type of overtime.</p> <p>From a sample of 10 overtime claims entered, we identified one case (employee A) in January 2018 where the number of hours had been entered correctly but two hours had been recorded against the wrong element, resulting in overtime being paid at time and a half instead of double time (for a Sunday). Although input checks had been evidenced, the element error was not picked up. The difference was £11.20. This matter was discussed with the Payroll Manager and corrected during the audit.</p> <p>Phase 2 of the payroll migration process will see claims being input by employees, approved by Managers online and reviewed by Payroll, thereby simplifying the process.</p> <p>Risk: <i>Input errors may not be identified through normal checking procedures.</i></p>	<p>More careful checking should be carried out to avoid errors where overtime with different pay elements are claimed.</p>	<p>Response The issue has been discussed with the team and more careful checking is being undertaken.</p> <p>Date for implementation <i>25 April 2018</i></p> <p>Officer responsible for implementation <i>Payroll Manager - Project</i></p>
<p>4. Leaver Payslips</p> <p>Where an employee leaves their post but has taken too much leave, they are required to pay back their overpayment by way of a deduction from their final payslip. Where the amount due back exceeds their final payslip, a debtor invoice is raised for the difference. In this case, the amount due back should be shown in the payroll system as a negative. However, in one instance (employee B), no account of the debt had been recorded against the final payslip. This was corrected during the audit and staff were made aware of the requirement moving forward.</p> <p>Risk: <i>Inaccurate payroll records may be maintained where pay adjustments are not correctly recorded in the payroll system.</i></p>	<p>As this was an isolated incident and it was corrected during the audit, no further recommendation is made.</p>	<p>Response This was a rare isolated incident and such cases will be discussed in future as a team to ensure that the correct approach is taken.</p> <p>Date for implementation <i>25 April 2018</i></p> <p>Officer responsible for implementation <i>Payroll Manager - Project</i></p>

FIRE & RESCUE SERVICE - CARDIFF CHECKS - 2016/17

Appendix A

Invoice 1 Enterprise – Car Hire

1. Invoice Information

- 1.1 A payment was made to Enterprise Car Hire - Invoice No 5500-1220-2408. This payment was in respect of car hire for an officer who had been seconded on a one year exchange programme from Staffordshire Fire and Rescue Service. The secondments between the forces were seen as a promotional experience for the officers concerned.
- 1.2 The employee had been seconded to Notts Fire and Rescue in an Operational (response) Station Manager role with command of a district. Based on the nature and varied locations of the work and in line with agreed policy to provide a vehicle for this post, the Deputy Chief Fire Officer instructed the Transport Manager to provide the vehicle for the secondee to commute from Burton-on-Trent (his home) to Nottinghamshire and for carrying out operational duties.
- 1.3 Due to a shortage of suitable vehicles available within the Fire Authority it was agreed that a vehicle could be hired for an initial period of 6 months during which the Station Manager would receive training for use of the response vehicle.
- 1.4 The invoice for £501.98 for the period 22nd December 2015 to 19th January 2016 was paid on 21st January 2016 and posted to the correct account code which was hire of fleet vehicles.

2. Summary of Findings

- 2.1 An order was raised on the system at the point the commitment was made with the supplier, August 2015. The order was for a six month period from 1st September 2015 and the total value of the order was for £3,000. Invoices were received from Enterprise on a monthly basis.
- 2.2 The supplier was part of the Crown Commercial Services (CCS) framework agreement RM1062. We confirmed through discussion that periodic market testing is undertaken for this framework.
- 2.3 There is evidence within the workflow documents of appropriate authorisation of requisitions and invoices.

3. Recommendations

- 3.1 None.

4. Response of the Chief Fire Officer

4.1 No response required.



FIRE & RESCUE SERVICE - CARDIFF CHECKS - 2016/17

Appendix B

Invoice 2 Ashfield District Council

1. Invoice Information

- 1.1 This payment to Ashfield District Council was in respect of a contribution for 2016/17 to the Ashfield partnership against crime in respect of co-ordination costs for the Community Safety Officer (CSO) and Partnership Analyst from 1/4/16 to 31/3/17.
- 1.2 On an annual basis, a number of the statutory partners agree to make a financial contribution in varying amounts in order to support the activities of the partnership. The contributions facilitate the normal business of operating the Community Safety Partnership (CSP) and also enable dedicated Partnership Officers to be employed on Fixed Term Contracts.
- 1.3 For the financial year 2016/17 the contribution of £2,500 was agreed by NFRS.
- 1.2 The invoice was paid on 20th April 2016 and was coded to the contribution to Partnership working account code.

2. Summary of Findings

- 2.1 The Fire Authority has been part of the partnership since it was established in 2005.
- 2.2 The work of the CSP is reported to the Fire Authority's Community Safety Committee on a quarterly basis. In addition the Deputy Chief Fire Officer attends the Safer Nottinghamshire Board and the City Crime and Drugs Partnership Board which provide scrutiny for the Community Safety Partnerships.
- 2.3 There was no evidence available within the accounting system at the time of the audit to confirm the order and invoice had been appropriately authorised. From discussion with finance staff we understand there to be a problem within Agresso following a recent system upgrade. Finance have confirmed that all the transactional data is in the accounting system but are unable to produce snapshots of the workflow. The issue also affected a small number of other transactions around the time this invoice was paid.

3. Recommendations

- 3.1 A valid reason for the omissions, including all transactions affected, should be obtained from the system provider and if possible data reinstated.

4. Response of the Chief Fire Officer

- 4.1 There is an outstanding issue where a number of workflows cannot be viewed within the Accounts payable module. However the facility is now available within the General ledger Module. The issue is still outstanding with the Unit 4 support Desk.
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FIRE & RESCUE SERVICE - CARDIFF CHECKS - 2016/17

Appendix C

Invoice 3 Tangible Benefits

1. Invoice Information

- 1.1 This invoice was for the provision of 18 Linx 10" windows tablets and cases.
- 1.2 A decision was made to purchase the tablets following a trial of the devices in October 2015. A business case was put forward for the trial.
- 1.3 The reason for purchasing the tablets was to facilitate the mobile recording of site specific risk information (SSRI) in relation to home safety checks.
- 1.4 The invoice totalled £3,221.86, including VAT of £536.98. The invoice was paid on 4th March 2016.
- 1.5 IT hardware purchases are made as one-off purchases; there are no call-off contracts in place.

2. Summary of Findings

- 2.1 The project board reviewed and approved the need for the tablets. The tablets were being rolled out to stations and used for the collection of SSRI.
- 2.2 Quotations were requested from three suppliers and the second lowest supplier was selected due to better delivery times. The additional cost to the Force was £40.18.
- 2.3 The order was raised on the system at the point the commitment was made with the supplier on 3rd March 2016.
- 2.4 There is evidence within the workflow documents of appropriate authorisation of requisitions and invoices.

3. Recommendation

- 3.1 None.

4. Response of the Chief Fire Officer

- 4.1 No response required.
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Leicestershire County Council Internal Audit Service Final Internal Audit Report

Entity: Pensions

Organisation: Nottinghamshire Fire and Rescue Service

Audit Type: Assurance

Role	Auditor Name
Auditors:	Lynn Woolhouse & Andy Collins
Audit Manager:	Niru Patel
Head of Internal Audit Service:	Neil Jones

Audit Details

Audit Objectives: To review the validity and accuracy of calculations with regard to payments for new pensions and lump sums.

Starters (incorporating payment of lump sum) and leavers (incorporating death notifications) are accurately accounted for in respect of pensionable adjustments required.

Contribution banding, pensions increases and dependents pension requirements are also correctly applied.

Audit Opinion: **Substantial Assurance**

One minor recommendation is required with one medium risk issue to be addressed.

Summary of findings, risks and recommendations for management: If there is not anything reported in the summary below then, based on the work undertaken this indicates appropriate controls were in place and operating satisfactorily and the risk of failing to achieve objectives is mitigated.

Unless it denotes otherwise, the recommendation and associated implementation has been agreed by the risk owner. Where this is not the case this is indicated in bold italic font, both below and in more detail in the recommendation details section of this report.

Pensions Increase is correctly applied;

The Pensions Increase awarded and paid in April 2017 was calculated and applied by the previous payroll provider (Nottingham County Council). No record had been retained to evidence any independent verification of the calculations. This said, no errors were identified in the limited sample checking undertaken as part of the audit.

Financial Risk

Evidence should be retained of the verification of the rate of pensions increase awarded and payment of the revised pension from the correct date.

Recommendation Details

Priority: Recommendation				
Area of Scope (Per ToE)	Detail	People	Dates	Management Response
Pensions Increase is correctly applied	Evidence should be retained of the calculation and application of Pensions Increase and any checking undertaken to confirm the accuracy of payments made.	Payroll Manager	April 2018	To be implemented with immediate effect.

Control Evaluation Details

Control: Robust procedures are in place to ensure accurate pension, lump sum or death grants are paid to eligible individuals and are in accordance with Scheme regulations.

Findings:

Prior to May 2017 pension payments were paid in advance for those members who had contributed to the 1992 pension scheme, or in arrears for members that contributed to the 2006 pension scheme. This arrangement was in accordance with the Authority's discretionary powers. From 1 May 2017 pension payments for any new pensioners are paid in arrears regardless of the scheme membership. The only exception being for dependants short term and long term pension payments where agreement was that the payment schedule should follow that of the deceased, i.e. in advance for the 1992 scheme and in arrears for the 2006 scheme.

Between 1 April 2017 and 31 December 2017, twenty eight new pension records have been set up (18 pensioners & 10 dependants). Four records were selected at random for testing.
(3 x age retirements, 1 x dependant pension).

Advance notification of voluntary retirement was submitted to the Fire Pensions Team (LCC) from NFRS HR & Payroll in the completion of form ePen3.

Salary figures used in the calculation of the last year's final pay, from which lump sum and residual pension payments are determined, agreed with salary information held on the payroll system.

All documentation / information required to enable payment of the dependant's pension had been obtained prior to payment of the short term widow's pension.

For all those examined pension details, values and dates of commencement of pension had been correctly entered to the payroll system.

No issues were found with the calculation for pension payments reviewed and it was verified that payments are independently checked.

Between 1 April and 31 December 2017 fifteen pension records were ended due to the death of the recipient. All were in receipt of a pension in relation to the 1992 pension scheme. Three records were selected at random for testing. Pension payments ended at the month end in which the death occurred for two selected whilst an invoice to recover the overpayment for the third was issued. Payment was due by 22nd December 2017 but as at the date of the audit (12th March 2018) the amount owed (£1,346.36) was still outstanding.

Control: Pension payments to child dependants are only made where valid.

Findings: At the start of each academic year Pension Administration (LCC) writes to each child dependant to seek confirmation of continued entitlement to receive pension payments. Where the dependant is 18 years and over and continuing in full time education, written confirmation is required from the educational establishment to this effect. As at 1 September 2017 there were eight child dependant pension payments, two of which were over 18 years of age. Evidence was received of continuing education for both cases to support the continuation of pension payments.

Control: Robust procedures are in place to ensure accurate calculation and payment of pensions increase (PI).

Findings: At the time of payment of pensions increase (April 2017) payroll was provided by Nottinghamshire County Council (NCC). NCC provided details of the PI batch load and the Payroll Manager stated that from this report sample checks of amounts applied were undertaken. However, no evidence has been retained of those records checked. One record was selected at random from the report and the Payroll Manager was able to illustrate PI to be correctly applied. A further report was provided by NCC of records which had been rejected from the PI batch load. The Payroll Manager stated that each record on the list was reviewed and where relevant PI was applied. Three records were randomly selected to ensure that PI had been correctly applied. All testing was satisfactory.

Related Risk: If payments are not checked, this may result in incorrect payment of Pensions Increase.

Recommendation: The operation of payroll was brought in-house from May 2017. It is important that evidence is retained of the calculation of PI and any checking undertaken to confirm the accuracy of payments made as well as where not paid.

Control: Contributions are deducted in accordance with scheme requirements and bandings with salary received.

Findings:

Pensionable Pay Bandings
Fire fighter pension scheme rates tables were accurately updated with new bandings and contribution rates in time for April 2017 salary payments for each scheme (1992, 2006, 2006 modified, 2015).

2015 Tapering
Unless awarded full protection to remain in their existing pension scheme, all members will be required to taper into the 2015 pension scheme by 1 April 2022. There are seven taper dates each year with the date of birth governing the taper date.

Audit testing concentrated on the accuracy of members required to taper during 2017/18 and up to the date of the audit (12th February 2018). During 2017/18 ten members have been required to taper into the 2015 scheme. Taper dates applied in all ten cases were found to be accurate. As taper dates are often mid-month, verification of the correct calculation of contributions was undertaken on three records. All testing proved to be satisfactory.

Contribution Banding

Further testing was undertaken on seven records, selected at random, to verify that contributions were being deducted from pay at a contribution rate applicable to annual salary for relevant pension scheme (1992, 2006 or 2015). All testing was found to be satisfactory.

Control: Pension and lump sum calculations are in accordance with relevant Scheme regulations

Findings:

A sample of three pension and lump sum calculations were reviewed. One calculation was at the 'estimates' stage and two calculations were at the 'options' stage. The 'estimates' stage refers to where a calculation is undertaken on a given retirement date (which has not been confirmed at this stage). At the options stage, the retirement date has been confirmed, and calculations are undertaken for the following:

- i) the standard pension amount
- ii) the pension amount and highest lump sum figure without exceeding tax limits, and
- iii) the net figures of the highest pension and lump sum amounts where tax would be paid.

These options are then sent back to the employee for them to determine which of the benefit figures they want to receive.

The sample reviewed consisted of officers within the 1992 and 2015 Schemes. One of the persons tested was an officer who has recently retired on ill health grounds.

The auditor, with Pensions Officers, 'walked through' the various processes and calculations undertaken to confirm the information input to the Altair system (Leicestershire's Pension system), to calculate the pension figure.

The auditor has confirmed the accuracy of:

- the salary figure used for the final salary element of the pension
- the length of service figure used in the pension calculation
- the calculation of the annual pension figure
- the calculation of the retirement grant (lump sum) figure
- the commutation factor that was used in the pension and lump sum calculations
- the continuous professional development figures used in the

calculation

- the long term increment values used in the calculation
- the calculated option amounts were correctly shown on the letter sent out to employees
- a scheme sanction (where an officer took a lump sum payment above the limit allowed by HMRC) had been calculated correctly and notification made to HMRC
- the required medical paperwork had been completed with regard to the ill health retirement
- pension and lump sum amounts had been accurately revised to reflect the recent pay award

Background & Scope

Background: To assist the external auditors in their annual assessment of the likelihood of material misstatement in the CFA's financial accounts, a review of the procedures in place for calculating pensions and lump sums, and the administering of starters, leavers and variations to pay to Nottinghamshire Fire and Rescue Service (NFRS) employees and pensioners is undertaken.

Previously there had been two main pension schemes for firefighters in England. These are the Firefighters' Pension Scheme 1992 and the New Firefighters' Pension Scheme 2006. However from 1st April 2015 a third main scheme was introduced – the Firefighters' Pension Scheme 2015.

There are different membership, contribution rates, pension ages and principles of calculations across each of the three pension schemes.

Audit Scope: In line with the Public Sector Internal Audit Standards 2013, this audit engagement has been completed using a risk based approach, which seeks to provide independent assurance that:-

- Key risks are identified and actively managed
- A sound framework of controls is in place that adequately and effectively reduces risks to an acceptable level

The management of risk (including internal control arrangements) has been evaluated in the following areas:-

- To walk through / re-perform all details relating to three recent pension calculations, and so confirm adherence to relevant regulations
- Starters (including lump sum payments), leavers
- Dependant Pensions
- Pensions Increase
- Contribution Bandings including 2015 tapering