Staffordshire Commissioner Fire and Rescue Authority
INTERNAL AUDIT ANNUAL OUTTURN REPORT 2018/19

29th May 2019
Report to the Ethics, Transparency and Audit Panel

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

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Introduction

This report presents the Internal Audit Annual Report for 2018/19 in addition to providing an update for members of the ETAP on internal audit activity since the last ETAP meeting held on 27th March 2019.

The Staffordshire Commissioner Fire and Rescue Authority is required to produce a statement of assurance on its overall control environment within its Annual Governance Statement (AGS) which forms part of the 2018/19 Statement of Accounts. This report is a key contributory document.

The Accounts and Audit Regulations 2015 require the Staffordshire Commissioner Fire and Rescue Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account Public Sector Internal Auditing Standards (PSIAS) and guidance which came into force on 1st April 2013.

The UK PSIAS requires that the Head of Internal Audit (HIA) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its AGS. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the system of internal control). The results of individual audits when combined form the basis for the overall opinion on the adequacy and effectiveness of the and Staffordshire Commissioner Fire and Rescue Authority's system of internal control.

2018/19 Audit Plan Outcomes

Each audit in the 2018/19 Audit Plan is linked to the Service's 2017-2020 Corporate Safety Plan. This aligns the work of Internal Audit through to the following 3 priorities of the Authority:

- Priority 1 – Education & Engagement
- Priority 2 – Community Safety & Wellbeing
- Priority 3 – Planning, Resilience & Response

The chart below demonstrates the coverage of the Audit Plan against these priorities.

Internal Audit & Counter Fraud Coverage by Objective

Legend: ■ Priority 1 ■ Priority 2 ■ Priority 3 ■ Management
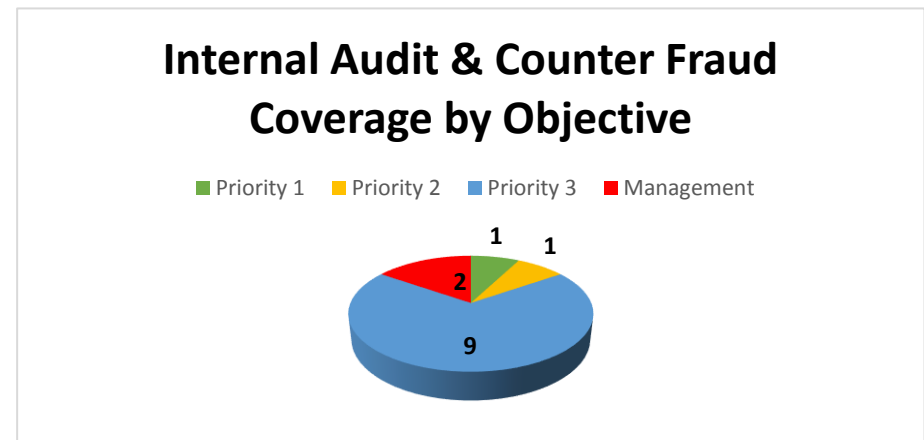
Each control tested as part of an individual audit is evaluated for its adequacy. The table below demonstrates the number of controls that have been evaluated as part of the 2018/19 Audit Plan.

Controls Evaluated	203
Adequate Controls	158
Partial Controls	26
Weak Controls	19

Audit opinions are awarded for individual systems and compliance audits within one of the following categories:

- **Substantial Assurance (positive opinion)** - We are able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

- **Satisfactory Assurance (positive opinion)** - We are able to offer Satisfactory assurance as most of the areas reviewed were found to be satisfactorily controlled. Generally, risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

- **Limited Assurance (negative opinion)** - We are able to offer limited assurance in relation to the areas reviewed and the effectiveness of the controls found to be in place. Some key risks were not well managed, and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

Eleven audit reviews were undertaken during the year. The table opposite summarises the systems coverage against the audit plan and associated opinions. The Team also co-ordinated the extraction of data and fair processing notices for the Authority's continued participation in the National Fraud Initiative 2018 exercise.

The opinions for the reviews completed have all been positive in that substantial assurance has been given to 8 audits and satisfactory assurance for a further 3 audits. No limited assurance opinions were awarded during the year.

No audits were cancelled from the Internal Audit Plan during 2018/19 meaning that the 98 days of planned audit time in 2018/19 was delivered.

Audit	Opinion			
	Substantial	Satisfactory	Limited	Consultancy
Project Management – Fire Transformation Fund (Appendix 1 – page 14)	✓			
Community Interest Company		✓		
GDPR - Preparedness	✓			
Financial Ledger & Bank (Integra – NML)	✓			
Fire Fighters Pensions Administration and Payroll (Appendix 1 – page 18)		✓		
Payroll Processing Procedures – New Payroll System Resource Link	✓			
Stock Management System	✓			
Efficiency Plan (Appendix 1 – page 23)	✓			
Cybersecurity Preparedness and Response Effectiveness (Appendix 1 – page 28)	✓			
Integra – System Security (Appendix 1 – page 32)		✓		
Counter Fraud & Corruption Activities – Procurement of Desirable Goods	✓			
National Fraud Initiative				✓
Total Audit Delivered (11)	**8**	**3**	**0**	**1**

In addition to the above, issue seven of the Fraudwatch newsletter was produced and communicated across the Service.

In relation to internal audit work in 2018/19, no high priority recommendations were made. Details relating to all recommendations made during 2018/19 and their current status, can be found on page 7.

For those audits which have been finalised since the previous ETAP meeting in March 2019, the executive summaries can be found at **Appendix 1** to this report.

A summary of Internal Audit's work undertaken in relation to counter fraud and corruption is attached at **Appendix 2**.

A comparison of the internal audit opinions issued year on year is shown in the chart below and demonstrates that on a consistent basis there is a high number of audit reviews that are resulting in a substantial assurance opinion in relation to the system and application of internal controls.
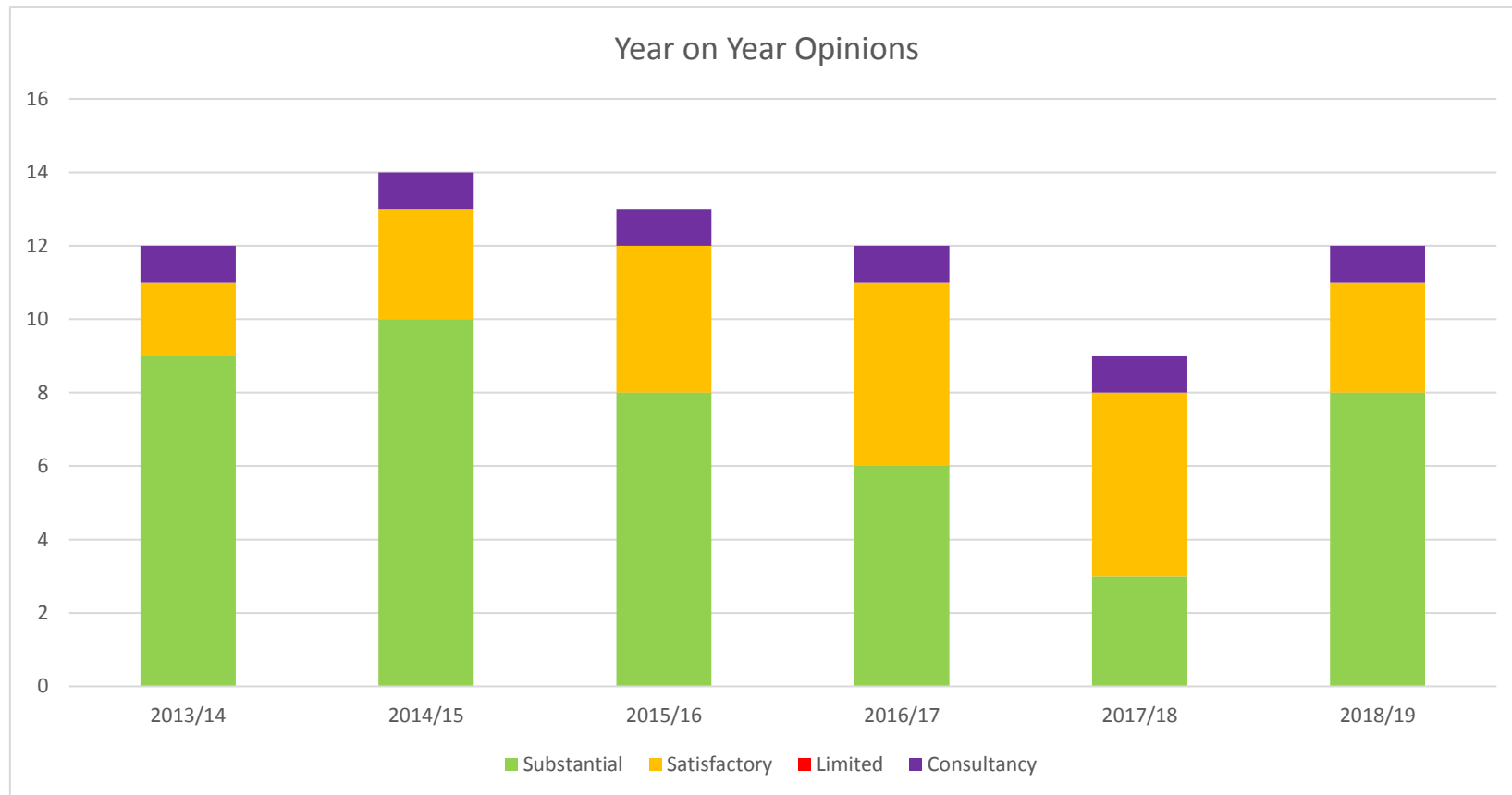
Overall Opinion on the Control Environment

Current Methodology

The UK PSIAS requires that the Head of Internal Audit (HIA) must deliver an annual internal audit opinion on the overall internal control environment of the Authority. The methodology for formulating this opinion is set out within the Internal Audit Strategy and Plan each year, the latest of which was approved by the ETAP in March 2019.

Each separate category of audit work is assessed against a benchmark of achieving a score of at least 90% of the total number of audits performed being awarded an opinion of "satisfactory or above" within each category. For reasons of simplicity, each category attracts equal weighting and a simple pass/fail assessment is used to differentiate the overall opinion between "Substantial, Satisfactory and Limited" as illustrated below:

Overall Opinion Level	No. of categories achieving the 90% benchmark
Substantial Assurance	5 out of the 5 categories
Satisfactory Assurance	3 or 4 out of the 5 categories
Limited Assurance	3 and below out of the 5 categories

Calculation of the 2018/19 Overall Assessment

Audit category	% awarded an opinion of at least Satisfactory	Pass/Fail
(1) Systems Audits	100%	Pass
(2) Counter Fraud & Corruption	100%	Pass
(3) Compliance Audits	N/A – None carried out in 2018/19	N/A
(4) Special Investigations	100% (no losses/no control environment issues)	Pass
(5) Consultancy Reviews (excluding NFI exercise)	N/A – None carried out in 2018/19	N/A
Overall Total		**3 out of 3 categories**

Based on the above, a "**substantia**l" assurance opinion on the overall adequacy and effectiveness of Staffordshire Commissioner Fire and Rescue Authority's governance, risk and control framework (i.e. the control environment) can be given for the 2018/19 financial year.

Audit Recommendations

Risk Rating

In May 2016, Internal Audit introduced a new Audit Management System and Automated Working Papers solution which enables us to automatically import all the recommendations that we make into a central monitoring database.

This allows us to systematically follow-up all the recommendations we make to provide assurance to management that recommendations are being implemented as agreed. Previously, we would only follow-up recommendations during a specific follow-up audit, at the request of management, or if it was a high priority recommendation.

This new system adds value to our service by demonstrating how the organisation's system of control is being strengthened through the implementation of audit recommendations and by allowing us to efficiently follow-up the progress of all recommendations without the need for an audit.

It was agreed with the Director of Finance, Assets & Resources that as part of the 2018 /19 audit plan, a small number of days would be allocated to allow us to undertake this work. The progress made against recommendations has been presented to all subsequent ETAP meetings as part of the progress report.

Each recommendation that we make is risk assessed, and based on this assessment of likelihood and impact, 1 of the 3 following priority levels will be awarded:

- High Priority
- Medium Priority
- Low Priority

During 2018/19, Internal Audit made a total of 38 recommendations. No recommendations were deemed to be a high priority, whilst 14 medium and 24 low priority recommendations were made.

In comparison to 2017/18, whilst the number of audit reviews has increased, the number of recommendations made has decreased by 12. The number of medium priority recommendations made has decreased by 2 whilst low priority recommendations have decreased by 10.

Action Status

Each recommendation that is imported into the Audit Management System is allocated a responsible officer and an agreed action date, which are detailed in the audits final report. Once this agreed action date has passed, an email is sent to the responsible officer asking them to provide an update on the progress made against the recommendation. Following this response, the recommendation is

given a status to enable us to monitor and categorise the progress of recommendations. The following status' can be assigned to a recommendation:

- **Implemented** – Audit have been informed that the control weakness has been addressed

- **Partially Implemented** – Audit have been informed that the agreed action is a work in progress, some elements may have been implemented.

- **Outstanding** - Action has been agreed upon with management but is yet to be implemented.

- **Deferred** - The agreed actions have been deferred until a later date (e.g. it may be dependent on another activity, action or upgrade).

- **Superseded** – Audit have been informed that the control weakness no longer exists due to changes in the system or business process.

- **Risk Accepted** – Management accept the risk and no mitigating action will be taken to address the control weakness identified

Recommendations in the Audit Management System are kept up to date through this process based on the responses we receive from the responsible officer.

The chart opposite shows the status of each of the 38 recommendations made as part of the 2018/19 Audit plan.

Recommendation Status
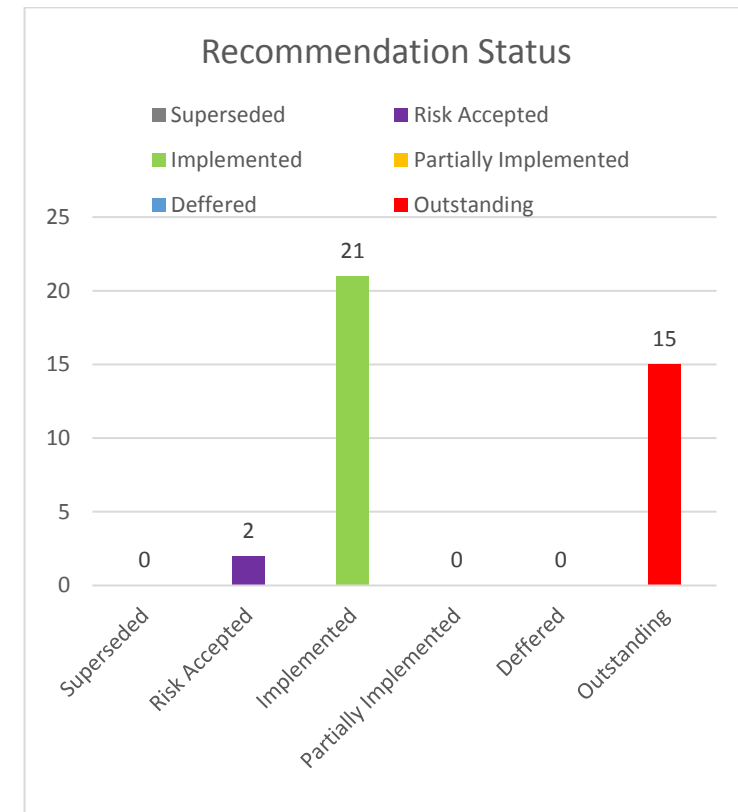
Of the 15 recommendations that have yet to be implemented, 14 of these have not yet passed their agreed action date, leaving one that is now overdue and is being monitored by Internal Audit.

The 2 recommendations that Management risk accepted were in relation to:

1) Community Interest Company – The CIC does not use purchase orders or record goods received numbers.

2) Fire Fighters Pensions Administration and Payroll - The contract with WYPF does not set out any performance targets around processing times, systems availability, timeliness of responding/ processing.

Compliance with Key Performance Targets

Key Performance results for the Internal Audit Section (as defined within the Audit Strategy and Plan) show that set targets have been exceeded.

| Description	Target %	2015/16 %	2016/17 %	2017/18 %	2018/19 %
Reports issued to draft report stage:					
Systems Audits	90	100	100	100	100
Compliance audits	90	N/A	N/A	N/A	N/A
Average score for Quality Questionnaires from clients is equal to or exceeds the 'good' standard:					
Systems Audits	90	100	100	100	100
Compliance audits	90	N/A	N/A	N/A	N/A

Customer Satisfaction Surveys

Internal Audit issues Customer Satisfaction Surveys (CSS) with each draft report which is based on 13 questions. Each question being scored between 1 (very poor) and 5 (excellent). We aim to provide a high-quality audit service to our customers and the results of these surveys helps us to identify any areas for future improvement and development. Each completed CSS is graded as one of the following:

- Excellent (scores 54 to 65)
- Good (scores 43 to 53)
- Fair (scores 33 to 42)
- Poor (scores 23 to 32)
- Very Poor (scores 13 to 22)

The results from the CSS's returned from 2018/19 audits are summarised below.

A total of 6 CSS's was returned from the auditees in year, an increase from 2017/18. The completed CSSs are pleasing in their result, with 4 of the 6 rating the service provided by Internal Audit to the Authority as Excellent with the remaining 2 rating the service as Good. Looking at the individual results for each question, it is pleasing to see that auditees rated 100% of the questions as either Good or Excellent.

2018/19 CSS Results
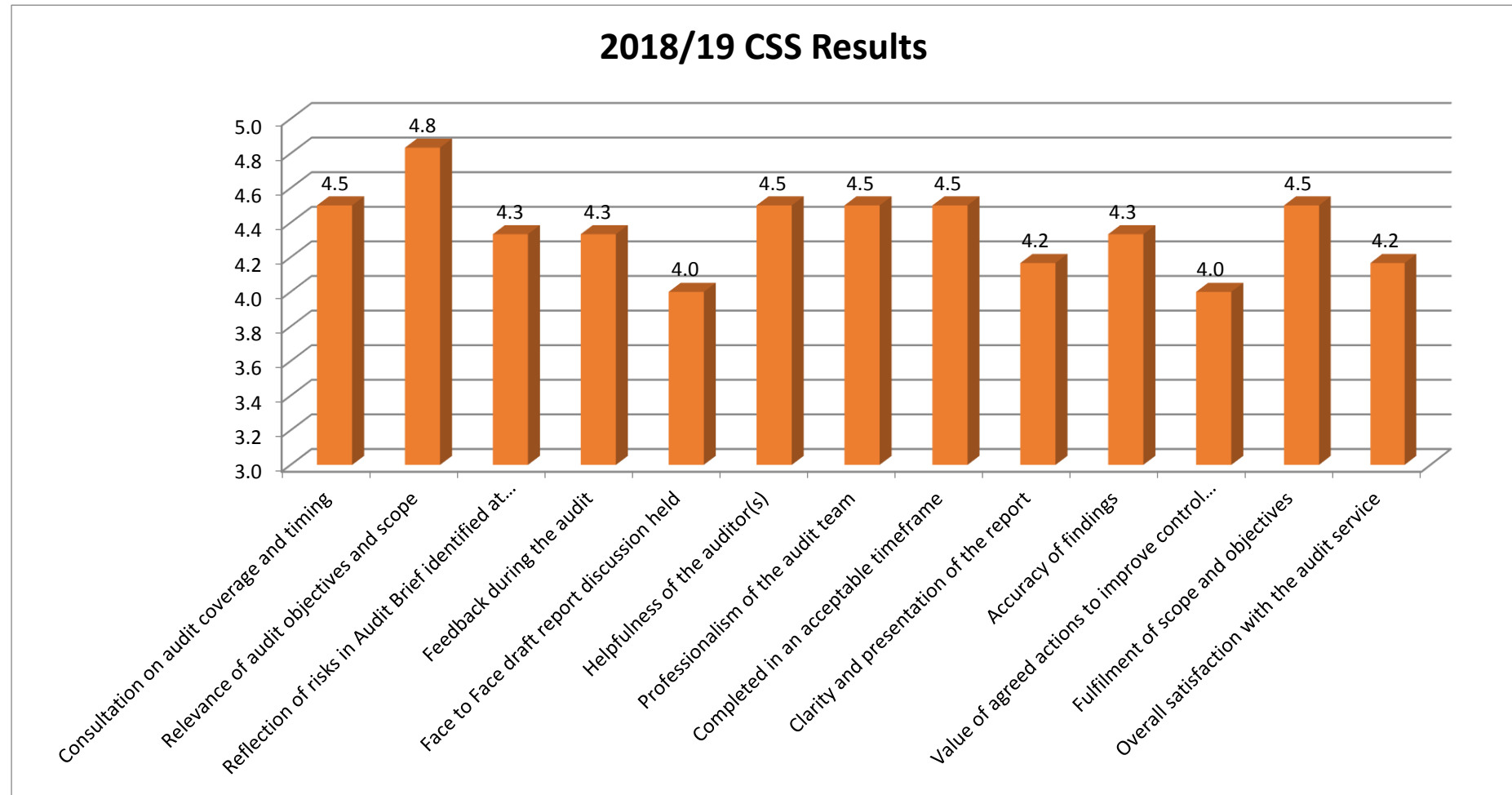
Performance Against the UK Public Sector Internal Audit Standards

The UK PSIAS came into force on 1 April 2013 with the aim of promoting further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. These have been updated periodically since (last updated April 2017). A Local Government Application Note (LGAN) has also been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide further explanation and practical guidance on how to apply the standards. The LGAN is also updated periodically (last updated March 2019).

The Internal Audit Service works to an Audit Charter which is annually approved by the ETAP. This Charter governs the work undertaken by the service, the standards it adopts and the way in which it interfaces with the Fire Service and Authority. A detailed paper outlining how Internal Audit meets the specific requirements of PSIAS & LGAN was presented to the now disbanded Audit Committee in June 2014 and since this date, internal self-assessments have been undertaken. In January 2018, the Service procured its inaugural external quality assessment (which is required to be conducted once every five years) by CIPFA and the highest category level was awarded regarding compliance with the PSIAS and LGAN. One recommendation was made together with three suggestions for improvement. Progress in implementing these improvements during 2018/19 is reported below:

No.	Action Point	Current Status
R1	The Chief Internal Auditor should update the Senior Management Team and the Chief Executive on a regular basis on Internal Audit's progress on delivering the annual audit plan	**Complete** – The Audit Manager liaises with the Director of Finance, Assets & Resources regularly throughout the year regarding the delivery of the audit plan. Any concerns would be cascaded upwards as necessary.
S1	It is suggested that a sentence is added to section nine of the audit charter clearly attributing the term 'Senior Management' to the Council's Senior Leadership Team. An example of such a sentence could be 'For the purposes of the UK Public Sector Internal Audit Standards, the Council's Senior Leadership Team performs the role of the 'senior management'.	**Complete** - The suggested details have been incorporated into the Internal Audit Charter for 2019 which was approved by ETAP in March 2019.
S2	It is suggested the Internal Audit liaises with external audit over the timing of the audits of the key financial systems for the Council and the external clients to ensure clients are not audited by both teams in a relatively short space of time, usually in the last quarter of the financial year. Alternatively, the Service should consider shifting their audits of the key financial systems away from quarter to four to an earlier part of the financial year, say quarter two or three.	**Complete** – Internal Audit liaises with External Audit as and when appropriate. Internal Audit will also liaise with the Financial Services Manager regarding the timings for financial audits who is mindful of the schedule and timings for External Audit reviews.
S3	Consider adding a statement to the individual audit reports stating that the audit has been conducted in accordance with the public sector internal audit standards. Where this is not the case, an alternative statement of non-conformance should be used instead.	**Complete** – A statement has been added to the individual audit report template stating that the audit has been conducted in accordance with the public sector internal audit standards

As part of our Internal Audit Quality Assurance and Improvement Framework, as well as the external quality assessment (conducted every five years); internal self-assessments are also carried out, as previously mentioned above.

The results of this year's updated self-assessment exercise against the current standards and LGAN are summarised below. It can be seen that 94% of the standards are deemed to be fully in place.

Standard			
In Place	**Partially in Place**	**Not In Place**	**Not Applicable**
128 (94%)	3 (3%)	4 (3%)	0 (0%)

For those areas of partial/non-compliance a detailed action plan has been produced, although none of these are considered to affect significantly the effectiveness of Internal Audit.

Four areas of non-conformance (not in place) were highlighted as part of the self-assessment which will not involve any further action being taken, namely:

- The Chief Internal Auditor (CIA) reports to the Director of Finance, Assets & Resources who in turn reports to the Chief Fire Officer. Alternative reporting arrangements are detailed within the Internal Audit Charter, should the need arise.
- ETAP does not approve the Internal Audit budget. This is the responsibility of the Staffordshire Commissioner following recommendation by the Strategic Governance Board.
- ETAP does not approve decisions relating to the appointment and removal of the CIA, this responsibility lies with the Director of Finance, Assets & Resources.
- ETAP does not approve the remuneration of the CIA. The Pay of the CIA is in accordance with the County Council's Pay structure, Grading and JE processes which are corporately owned.

The three areas of partial conformance related to the upskilling of data analytics for the whole internal audit team, continuing to keep under review our approach to assurance mapping and risk management continue to be fit for purpose. These areas will be monitored throughout the year.

As part of our Quality Assurance and Improvement Programme in 2018/19, Internal Audit also identified a number of challenges that are specific to Staffordshire Commissioner Fire and Rescue Authority and Service. These were originally highlighted during the presentation of the Internal Audit Strategy and Plan at the 5th March 2018 Audit Committee meeting (now ETAP). These challenges and the progress made against them are detailed in the table below.

Challenge	Progress and Current Status
To continue to fully implement and embed the computerised Audit Management System and working paper solution across all clients.	**Complete -** The Audit Management System and Automated Working Paper solution is fully embedded within our audit process across the County Council and external clients. It's use has since been expanded within the Service to include automated recommendation follow-up which has been discussed earlier in this report.
To implement recommendation tracking and reporting to provide on-going assurance that internal controls are being continually improved.	**Complete –** Recommendation tracking was fully embedded by Internal Audit during 2018/19. A summary of all recommendations made to the Fire Service is presented to each ETAP meeting, along with the details of any overdue recommendations. Internal Audit believe this has had a positive impact on the Fire Service as the number of overdue recommendations has remained low in year.
To report upon the External Quality Assessment (EQA) results to the Fire Audit Committee and to make improvements, as highlighted by the EQA.	**Complete -** The EQA results were reported to the Audit Committee in July 2018 as part of the 2017/18 Internal Audit Annual Outturn Report and progress in implementing the one recommendation and three suggestions has been included in this year's outturn report.
To update the assurance map for 2018/19 to demonstrate the various sources of assurance being received for the main risks facing the Authority.	**In Progress -** The assurance map has been updated this year as part of the annual audit planning process. However, further work is required in this area to ensure that our methodology in relation to assurance mapping remains fit for purpose.
To adopt where appropriate computer assisted audit techniques (i.e. IDEA) to enhance our audit product.	**In Progress –** A number of days have been included in the 2019/20 Counter Fraud plan to develop a programme of Continuous Controls Monitoring using data analytics and to embed tests within the Fire Service. Progress in this area will be reported to future ETAP meetings.

The work undertaken by the Internal Audit Service during 2018/19 and reported within the Annual Outturn Report has been performed in accordance with PSIAS. In relation to this, there are no impairments or restrictions in scope or impairments in independence or objectivity during the year which prohibit the CIA or the Service from delivering the annual Head of Internal Audit Opinion for 2018/19.

Appendix 1
FINAL Report
Project Management – Fire Transformation Fund

1   Executive Summary

1.1   Scope and Background of Audit

1.1.1   The audit concentrated on the project management and governance arrangements surrounding the Transformation Fund. Initial bids for £5.124m were submitted to the Home Office to fund two projects in Biddulph and Stafford, creating two multifunctioning sites covering the emergency services. Both bids were accepted.

1.1.2   The bids were split into the two specific projects with Biddulph progressing and being completed in 2018. The project was fully supported with appropriate invoices and correspondence confirming the project was completed as expected with a spend of circa £1.25m.

1.1.3   Following discussions with government ministers, the Stafford Life Skills Centre project was put on hold after external stakeholder pressure put forward concerns over the value for money aspect of the project.

The initial stages of the project had been completed but a request to look for alternative projects to fund was initiated. This led to the inception of the mobile solution of Safe and Sound; a fleet of vehicles to be able to visit specific locations such as schools to deliver safety messages and the refurbishment of Stafford Fire Station.
These projects were accepted to progress further with any remaining grant balance to be returned to the Home Office.
The Safe and Sound project is due for completion in the summer of 2019, whilst options for the refurbishment of Stafford Fire station are being evaluated and discussed with the Home office.

1.1.4   Substantive testing on the expenditure within the projects was undertaken and found that all expenditure tested was fully supported and documented within the Integra Finance system. Testing covered *£841K (69.2%) in relation to the Biddulph project and £260k (79.3%) of total costs incurred for the Safe and Sound Project.*

1.1.5   The total Transformation Grant Funding can be summarised as follows:

	£
Original grant received	5.1m
Biddulph Project costs (completed)	(1.2m)
Like Skills Centre costs (aborted)	(0.3m)
Remaining funds	3.6m
Plan for remaining funds:	
Safe and Sound Project (budgeted costs)	1.1m
Stafford Fire Station Refurb (budgeted costs)	1.5m
Balance to be returned to the Home Office	1m

1.2 Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
To ensure there is an appropriate and effective Project Governance framework in place.	6	6	0	0
To ensure that procurement activity is in accordance with SFRS financial regulations.	5	5	0	0
To ensure that Project costs are suitably recorded and accounted for.	3	3	0	0
To ensure that the achievement of project milestones and outcomes are suitably monitored, recorded and evidenced.	3	3	0	0
To ensure that lessons learnt are suitably identified, recorded and communicated across SFRS.	3	2	1	0
TOTALS	**20**	**19**	**1**	**0**

1.2.1 The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Priority	Documentation could not be evidenced to confirm that a lessons learnt exercise had been undertaken for the completed Biddulph project.	Implemented

This report focuses on the weaknesses in the Organisation's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains the follow amount of recommendations

High	Medium	Low	Total
0	0	1	1

1.3 Summary of Control Assurance Provided

1.3.1 **Substantial -** Internal Audit are able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

2 **Positive Assurance**

We attempted to establish whether the Organisation's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.1 Governance Arrangements

- A project team for the two projects: Biddulph and Safe and Sound were set up; headed up by Steve Knight, the Programme Director. This information was included in the bid document, which also highlighted the bid partners and their respective leads.

- The Programme Director has a close working relationship with the Director of Finance, Assets and Recourses, with access to the Finance team as required. Bid documents were prepared by the Programme Director, the team have access to the Transformation Fund grant conditions and the projects were set up with specific financial codes.

- An Operational Board was set up to monitor the progress of the projects. Minutes from the meetings were obtained and confirmed that these meetings contained both project team members and board members. The meetings are held on a regular basis approximately every 2 months.

- At Operations Board meetings, regular updates are presented and monitored. These updates consist of both general issues and the financial position for all the projects including the amended Stafford project, which is now referred to as Safe and Sound.

- Risk registers for both projects were introduced at the bid stage of the process. These have been amalgamated into one register on the completion of the Biddulph project.

2.2 Procurement

- A sample of expenditure (Biddulph project £841K/ 69.2% of the total, Safe and Sound project £260k/ 79.3% of the total) was tested and confirmed to have been processed in line with standing orders and grant conditions. Adequate and appropriate records for the expenditure have been maintained.

- Signed contracts were in place for the main contractor for the Biddulph project and Contractors were in place for the Stafford contract prior to the project being put on hold. The contracts were awarded in line with correct procedures and formal tender evaluation process. Once the main contractor was in place all other contracts went through the normal procurement exercise following a tender process where necessary.

- Full supporting documentation was available for the sample of expenditure selected.

2.3 Project Accounting

- Ledger code listings are available for both the Biddulph and Stafford projects.

- Budgetary information is readily available via the Integra system. Up to date budgetary information was available for all meetings of project managers and Board members.

- The project costs have been recorded in separate codes, which facilitates accurate spend, reporting to meetings of the Authority, and update reports to the Home Office. These figures were compared to the budgeted figures submitted at the time of the bid.

2.4   Project Milestones & Outcomes

- Both the Biddulph and Stafford Project were subject to a bid process. Copies of the bids were obtained and it was shown that project milestones had been set up to show the objectives of each project. Following the Stafford project change to a mobile alternative, the Safe and Sound project also highlighted expected outcomes.

- An Operational Board was set up to monitor the projects as they progressed. At each meeting an update of the current position of all projects was presented. Further updates were also presented to the Home Office for their review to ensure that the funds were being appropriately spent.

- Regular meetings of the Operational Board are undertaken at which monitoring of each of the projects is presented. Sufficient supporting evidence was also presented in support of the project information presented.

2.5   Lessons Learnt

- Regular project meetings are held which discuss the project in great detail. Any issues identified during the process are captured within these meetings. Meetings are held on a regular basis and are sufficiently timely for any issues identified to be addressed in an efficient manner.

FINAL Report
Firefighter Pensions

1   Executive Summary

1.1   Scope and Background of Audit

1.1.1   This report summarises the results of an Internal Audit review of the Firefighters' Pension Scheme to provide assurance that the Pension Fund is administered effectively and efficiently in order to ensure that all payments due to and from the Fund are made and accounted for fully, accurately and in a timely fashion. This Internal Audit is part of the annual plan for 2018/19.

1.1.2   The audit focused on the following key control areas:

- The legislative requirements of the Public Services Pensions Act 2013 have been met.

- Inclusion of valid employees/pensioners only in the Firefighters' Pension Scheme.

- All income due to the Pension Fund is completely and accurately received.

- All payments made from the Pension Fund are complete, valid and accurate.

- Accurate maintenance of membership/pensioner data by West Yorkshire Pension Fund including access and back up routines.

- Adequate supervision, management and monitoring arrangements are in place at West Yorkshire Pension Fund and between the "client" SF&RS and the "contractor" West Yorkshire Pension Fund.

1.1.3   West Yorkshire Pension Fund (WYPF) has worked in partnership with Staffordshire Fire & Rescue Services (SF&RS) to administer the scheme since 1 July 2018 using the MyPension Pensions Administration system.

1.1.4   This audit has examined transactions processed during the period 1 April 2018 to 31 January 2019 and therefore includes transactions processed by Staffordshire County Council (SSC) prior to WYPF commencing administration of the service on 1 July 2018.

1.1.5   This audit has not covered the data migration process as a separate audit was carried out in 2017/18 to ensure there were adequate data migration plans in place and sufficient arrangements to transmit data from the source system (Altair), to the target system (Civica Universal Pensions Management (UPM)). The position statement produced for the audit provided satisfactory assurance as most of the areas reviewed were found to be adequately controlled.

1.2   Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
The legislative requirements of the Public Services Pensions Act 2013 have been met.	2	0	0	2
Inclusion of valid employees/pensioners only in the Firefighter Pension Scheme.	2	1	0	1
All income due to the Pension Fund is completely and accurately received.	5	5	0	0
All payments made from the Pension Fund are complete, valid and accurate.	6	3	0	3
Accurate maintenance of membership/pensioner data by West Yorkshire Pension Fund including access and back up routines.	7	4	0	3
Adequate supervision, management and monitoring arrangements are in place at West Yorkshire Pension Fund and between the "client" SF&RS and the "contractor" West Yorkshire Pension Fund.	3	1	0	2
TOTALS	**25**	**14**	**0**	**11**

1.2.1   The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Priority	Information regarding the Pension Board, including membership and responsibilities, is not being published.	Completed April 2019
2	Low Priority	At the time of the audit (February 2019), minutes of the Pensions Board meetings were not being published on the SF&RS website.	Completed April 2019
3	Low Priority	Examination of five new starter cases identified that welcome packs had not been issued promptly following an employee starting work.	Completed April 2019
4	Low Priority	Salary amounts are not visible in the MyPension system for 2018/19.	Completed April 2019
5	Low Priority	Leavers are not reported to WYPF promptly and clearly. Four leavers were identified which still have active accounts within WYPF's My Pension system although the members left months earlier.	Completed April 2019
6	Medium Priority	A lump sum payment made was not recorded within the MyPension system.	1 July 2019
7	Low Priority	An overpayment which occurred seven months ago was not recovered promptly.	Completed March 2019
8	Low Priority	Original pension values are not always correct in MyPension and pension increase discrepancies were identified during the audit.	1 July 2019
9	Low Priority	Examination of new starter reports identified a delay in creating the Pension accounts in the MyPension system by WYPF as two names on the SOTCC report were not on the WYPF report although both had been included on notification interface reports from SOTCC to WYPF.	Completed April 2019
10	Medium Priority	Four SF&RS officers have read-only access to the WYPF MyPension system, but their access is extremely limited as very little supporting documentation is visible.	1 July 2019

11	Low Priority	There is a 3-year gap between disaster recovery testing being performed. This does not provide up to date assurance that the pensions administration system can be reconstructed if required.	1 June 2019
12	Medium Priority	The level of the contractors delegated authority has not been documented.	1 July 2019
13	Low Priority	The contract with WYPF does not set out any performance targets around processing times, systems availability, timeliness of responding/ processing of pensions data.	Risk Accepted

This report focuses on the weaknesses in the Organisation's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains the follow number of recommendations:

High	Medium	Low	Total
0	3	10	13

Of the nine recommendations made in the previous internal audit report issued in April 2018, six have been implemented and three remain unresolved. The three outstanding actions have been reiterated in this report. (Recommendations 2, 5, and 9 refer).

1.3   Summary of Control Assurance Provided

1.3.1   **Satisfactory -** Internal Audit are able to offer satisfactory assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

2   **Positive Assurance**

Internal Audit attempted to establish whether the Organisation's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.1   Legislative Requirements

- From 1 August 2018 the Staffordshire Commissioner, Matthew Ellis, is the scheme manager for the Pension Scheme, and ultimately the Stoke-on-Trent and Staffordshire Fire and Rescue Authority (SFRA) are the responsible authority for the Firefighters' Pension Schemes (FPS). Prior to 1 August 2018 the Strategy and Resources Committee was the scheme manager. In accordance with legislation and the Pensions Regulators Code of Practice requirements, Staffordshire Fire & Rescue Service (SF&RS) has a Pension Board in place with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme. West Yorkshire Pension Fund (WYPF) took over responsibility for the administration of the Firefighter Pension Fund for SF&RS from 1 July 2018.

2.2   Pension Regulator's Code of Practice

- The Pensions Board has a Terms of Reference which states the Pension Board shall meet at least twice a year. Pension Board meeting documentation confirmed that this requirement has been met as meetings were held on 24 January 2019, 12 July 2018 and 17 January 2018.

- The minutes of the Pension Board meeting held on 12 July 2018 evidence that the knowledge and training of Pension Board members is being considered.

- Declarations of Interest of members of the Pension Board are considered at each meeting and documented within meeting minutes.

- The agenda for the Pension Board meeting held on 24 January 2019 evidences that discussions took place regarding Scheme Regulator Returns submitted to The Pension Regulator and the Firefighters Administration Survey and Benchmarking Exercise.

- SF&RS's Breaches Policy was approved at the Strategy & Resources Committee in April 2017.

- The agenda for the Pension Board meeting held on 24 January 2019 evidences that the risk register was presented for review.

2.3   New Starters

- The review confirmed that Firefighters are being appropriately auto-enrolled and are being given the opportunity to opt-out of the Pension Fund.

2.4   Income

- Testing confirmed that employee contributions are made at the appropriate rate that is consistent with their employment and are promptly credited to the Pension Fund.

- Testing confirmed that employer contributions are made at the appropriate rate that is consistent with the actuarial certificate and are promptly credited to the Pension Fund.

- Examination of the one transfer into the Pension Fund in 2018/19 confirmed that Transfer Values In are subject to input and validation controls to ensure income due to the Pension Fund is accurate, calculated correctly, and complete.
- The review confirmed that Grant Claims are completed and processed to ensure Government contributions are promptly claimed where appropriate and duly credited to the Pension Fund.
- Testing confirmed that income and expenditure is reported to SF&RS Finance and coded into the SF&RS Integra MyFinance System.

2.5   Payments

- Examination of the one ill health retirement case which occurred in 2018/19 confirmed that early retirement benefits had been calculated accurately and checked.
- There is adequate segregation of duties between payroll and pension transmission as WYPF is administering the Firefighters Pension Scheme and the payroll deductions is administered by Stoke on Trent City Council. WYPF make the pension payments from their bank account and then inform SF&RS of costs and SF&RS reimburse WYPF. SF&RS make a set payment-on-account of £975k per month and then pay the additional balance via the purchase ledger.
- Sample testing performed throughout the review confirmed that payments are reported and entered into the ledger by appropriate journal entries.

2.6   Pension Records

- The audit confirmed that that membership/pensioner data is accurately maintained and held securely.
- The audit confirmed that parameters of the MyPension pensions administration system are detailed within the data tables and access to update the parameters is limited, and Process History for Processes system reports detail an Audit Log of actions within the system for general transactional amendments.
- The review confirmed that management/supervision checks are performed, and software validation routines are in place via workflows to ensure membership/pensioner data amendments are accurately performed and are authorised.
- The Pension Administration Team is not responsible for payroll configuration. WYPF administer the Firefighter Pension Scheme and Stoke on Trent City Council deal with the payroll process for SF&RS including deduction of pension contributions from Firefighters payroll.
- The audit confirmed that payroll and pensions data is securely backed up on every weekday night and all backup media, and WYPF's data is stored in two geographically separate locations.

2.7   Monitoring Arrangements

- WYPF's Business Development Manager advised the Auditor that the MyPension system processes are heavily automated so that users are guided through a workflow process rather than having detailed written working instructions, and he provided examples of workflow processes and process maps.
- The performance of the contract is regularly monitored or reported on as WYPF produce monthly reports of performance for the Director of Finance, Assets and Resources and are reported to the Pensions Board.

FINAL Report
Efficiency Plan
1   Executive Summary

1.1   Scope and Background of Audit

1.1.1   The audit reviewed the arrangements for the management, monitoring and delivery of the Efficiency Plan to provide assurance that savings are being made in line with expectation.

1.1.2   The Efficiency Plan is a 4 year plan, running from 2016-2020. In return for the preparation of the Plan, the Authority secured guaranteed Government funding for the four year period; which introduced a level of certainty with regard to funding levels.

1.1.3   Efficiency plan updates are prepared on 6 monthly basis which highlight all specific areas of the plan, assigning responsibilities to specific officers to deliver specific tasks, and highlight the progress of the plan against expected timescales.

1.1.4   The Efficiency Plan is monitored throughout the day to day activities of the Finance team, with financial management information being provided to the Strategic Governance Board, Ethics, Transparency and Audit Panel and the Authority meetings confirming the Efficiency Plan is progressing as expected. In addition, progress against the Efficiency Plan is also included within the published Annual Statement of Assurance, which is also available online.

1.1.5   The Efficiency Plan is progressing smoothly with all savings highlighted at the Plan's inception in 2016 being delivered. Although not required at this stage, should the savings identified within the Plan not meet expected levels, escalation processes are available to address these issues.

1.2   Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
Governance arrangements (roles, responsibilities, structure and reporting arrangements) provide for suitable management and scrutiny of the delivery of the organisations Efficiency Plan.	5	4	1	0
Savings are suitably identified, defined, and planned to facilitate their delivery.	5	5	0	0
Progress against savings is monitored and savings are successfully implemented within the projected timescales.	6	6	0	0
TOTALS	**16**	**15**	**1**	**0**

1.2.1   The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Priority	Whilst progress and savings are documented and communicated in the Annual Statement of Assurance and budget reports, no report is produced solely for the purpose of reporting against the efficiency plan.	31/03/2020

1.2.2   This report contains the follow amount of recommendations

High	Medium	Low	Total
0	0	1	1

1.3   Summary of Control Assurance Provided

1.3.1   **Substantial -** Internal Audit are able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

2 **Positive Assurance**

We attempted to establish whether the Organisation's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.1 Governance

- The Efficiency Plan states that it is the Authority's responsibility to deliver the efficiency savings. The efficiency plan provides a number of updates to the Authority which includes a schedule of tasks which have assigned owners and their responsibilities attached. All tasks included form part of the day to day roles of the assignees job.

- The Efficiency Plan 2016-2020 clearly identifies how the savings are going to be made and identifies any assumptions that are being made in the achievements of those aims. The preparation of the plan was assisted with government funding being set for the life of the plan (4 Years). It also identifies how the Authority will keep stakeholders informed of progress, which includes reporting in the Statements of Accounts, Annual Governance Statement and Statement of Assurance.

- Progress against the Efficiency Plan is prepared and published for the Strategic Governance Board, the full Authority meetings (prior to 1 August 2018) and included in the Annual Statement which is available on the Fire Service's website.

- Quarterly reports are presented to the Strategic Governance Board, formally reported to the Strategy and Resources Committee prior to the change in governance on 1 August, with reports also being presented to the Ethics, Transparency and Audit Panel (ETAP), highlight the progress made against the Efficiency Plan, and confirms the outcomes have been delivered to date. The reports are prepared from information drawn from the Integra finance system. The figures within these reports were agreed back to source documentation to ensure they were accurate.

- Copies of the annual budgets for 2016/17, 2017/18 and 2018/19 were obtained and reviewed. The Efficiency Plan had been suitably included within the budgets, with savings achieved during the periods being included within the future budgets.

2.2 Planning

- The Efficiency Plan 2016-2020 clearly identifies where the £4million of proposed savings will be achieved within the service. These defined figures can be monitored independently to ensure the efficiency savings are achieved. The savings were split into 5 separate headings:
  - Structures (£0.6m);
  - Prevention and Protection (£0.1m);
  - Efficient Response Options (£2.2m);
  - Collaborations Operations (£0.5m); and
  - Procurement and Cost Efficiencies (£0.6m).

- An efficiency plan update is prepared to highlight where the savings and efficiencies have been made and presented within the Annual Fire Budget and Mid Term Financial Statement report, last presented to the Police Fire and Crime Panel in February 2019.

- Each efficiency saving has appropriate supporting documentation within the efficiency plan update and within the detailed reports presented to the Strategic Governance Board and the ETAP, identifying how the saving will be achieved.

- All assumptions made within the Efficiency Plan are clearly identified and separated into budget assumptions and funding assumptions. The assumptions are set out for the four year period of the plan.

- The Efficiency Plan was prepared after consultation with Senior Managers and other stakeholders. Minutes of the Strategy and Resources Committee meetings were reviewed and it was confirmed that full discussions were held within the meetings to ensure that an achievable and appropriate efficiency plan was prepared and had full support from all parties to ensure delivery.

- The Efficiency Plan was scrutinised substantially at both Strategy and Resources Committee and Full Authority meetings prior to it being introduced in 2016. Monitoring of the plan occurs on an annual basis in the form of the project updates and detailed discussions highlighted within the minutes of the Strategic Governance Board and are reported upon within the Annual Statement of Assurance which is available to the public on the Authority website.

2.3 Project Management and Monitoring

- The Efficiency Plan is monitored on a continual basis, with the production of a detailed project update giving information of assigned roles and progress against the project and provided at ETAP and Senior Management Team level.

- Monitoring of the Efficiency Plan is recorded within the Annual Statement, as well as being presented to appropriate committees throughout the year. The process remains transparent and open to scrutiny from any interested parties. The detailed commentary in respect of the efficiency plan highlights that the project remains in line of the expected efficiency savings expected.

- During 2018/19 and 2019/20 the Council Tax increment provided additional funds of £0.5m to be used against the £4.0m of savings required reducing the total efficiency savings to £3.5m.

- The savings identified within the Efficiency Plan were sufficiently discrete and independent of each other. Supporting papers to the plan highlighted the actions that needed to be completed to achieve these planned efficiencies together with the appropriate officer assigned to its delivery.

- The main efficiency saving relates to the efficient response options which concentrated on the restructuring of the service and removal of 40 fire fighter roles over the 4 year period. At the start of the programme an estimate of £40,000 per role was taken to give an estimated saving of £1.6m in role costs. Collaborative evidence to support the structure at the start and throughout the process was obtained and highlighted the savings achieved from the posts removed amounting to £1.53m, (69% of the initial savings for the area which was further increased due to the removal of 2 targeted response vehicles) which in turn had been added into the budget papers prepared for each year, showing the progress of the savings throughout the period.

- Efficiency Plan updates are prepared and presented to the appropriate Committees and Authority on a timely basis. The management information presented provides a clear indication of the current efficiency saving being achieved and monitored against the proposed targets set at the start of the process in 2016. The achieved savings have been integrated into the budgets for future periods, which show the efficiency saving at the current level.

- The latest budget report prepared by the service has identified that to remain in line with the proposed efficiency target a further £1.3m (Revised Initial savings of £3.5m less £2.2m completed and implemented, as reported to the panel in February 2019) of savings still needs to be fully delivered, £0.8m in 2018/19 and £0.5m in 2019/20. The remaining £1.3m has been identified and split as follows:
  - Prevention and Protection (£0.2m)
  - Management reduction (£0.3m) still to be completed
  - Reduction in funding estimate (£0.3m)
  - Community Safety Budgets (£0.2m) currently underway,
  - Dragons den opportunities (challenge to budget holders to achieve savings £0.2m),
  - Procurement Savings (£0.1m)
- The latest budget report for 2019/20 was presented to the Police, Fire and Crime Panel and approved by the Commissioner on the 15th February 2019, which confirmed the current position of the Efficiency Plan.
- Data is obtained from the Integra Finance System and is transferred to the monitoring reports presented to the Committees and Authority. The monitoring reports have highlighted that the expected efficiency savings have occurred in line with the expected program set out. However, if any variances were to be experienced, we were advised by the Director of Finance, Assets and Resources that these would be identified and explained within a commentary provided within the update reports and presented to the Committees and Authority for discussion.
- Corrective actions would be discussed at update meetings and documented within the commentary provided at the appropriate Committee, however, the Director of Finance, Assets and Resources confirmed that the process has run smoothly from its inception in 2016 with no requirement for corrective actions.
- When the initial Efficiency Plan was set up, a list of possible savings was highlighted. Efficiency savings amounting to the required £4m were identified as being the best savings to target. However, should the need arise, this initial list of savings identified could be revisited and additional efficiency savings could be processed. The Director of Finance, Asset and Resources confirmed that this process has not been required at this stage as the efficiency process has run smoothly and as expected.
- From the reports presented to the Police Fire and Crime Panel it is clear that the Efficiency Plan is on track to be delivered in accordance with the original timeframe (£2.2m of the revised £3.5m efficiency savings 63% having been fully implemented, with planned actions in place for the remaining £1.3m) and this is supported by the published figures within the Efficiency plan update, and supported by the commentary provided within the Committee and Full Authority meetings. The information within the published Annual Statement of Assurance is fully supported by appropriate updates and minutes.

FINAL Report
Cybersecurity Preparedness and Response Effectiveness

1   Executive Summary

1.1   Scope and Background of Audit

1.1.1   The purpose of the Audit is to provide management with an assessment of SFRS' cybersecurity preparedness and response effectiveness.

1.1.2   This audit was aligned to the CREST Cyber Security Incident Response Guide. The guide provides advice on how to prepare for, respond to and follow up an incident in a fast and effective manner. It is designed to enable SFRS to determine what a cyber security incident means to the organisation and build a suitable cyber security incident response capability.

1.1.3   This audit focused on the following scope areas:

- Policy and procedures are established and communicated to ensure that a cyber security incident is dealt with in a fast, effective and consistent manner;
- Validate whether SFRS has identified its critical information assets;
- Potential cyber threats are identified, and measures implemented to minimise the potential impacts of those threats;
- Ensure that SFRS has considered the requirements in terms of the roles and responsibilities of people; internal, external and specialists;
- Establish whether SFRS is ready and able to respond to a cyber security incident in a fast and effective manner; and
- Confirm whether processes are in place for identifying, investigating and recovering from a cyber incident.

1.2   Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
To ensure that policies and procedures have been established to enable a cyber security incident to be dealt with in a fast, effective and consistent manner.	1	1	0	0
To ensure that criticality assessments have been undertaken to identify critical information assets and determined which cyber security threats are most likely to affect these critical information assets	7	4	2	1
To ensure that a process has been undertaken to understanding of the key assets that are likely to be targeted	4	4	0	0
To ensure that in relation to cyber risks, SFRS has considered the requirements in terms of people; internal, external and specialists.	3	3	0	0

To ensure SFRS understands and reviews its state of readiness to be able to respond to a cyber security incident in a fast, effective manner.	1	1	0	0
To ensure there is a defined process in place to investigate cyber related incidents.	4	3	1	0
TOTALS	**20**	**16**	**3**	**1**

1.2.1 The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Medium Priority	The approach to cyber security could be better focused. While work has been undertaken to identify the Critical Systems, further work is needed to identify the most likely threats that could impact these systems and the most appropriate response to mitigate these threats.	31/10/2019
2	Low Priority	SFRS have not documented what can or cannot be done to limit the potential for a cyber incident with their current resources and budget.	31/12/2019
3	Medium Priority	SFRS has not identified different attack vectors and developed containment strategies for each type, with criteria documented clearly to facilitate decision- making and are suitable processes in place to collect and preserve evidence in line with relevant laws including: Police and Criminal evidence act 1984 (PACE), Data protection Act 2018, Computer Misuse Act 1990 and Regulation of Investigatory Powers 2000 (RIPA).	31/10/2019

This report focuses on the weaknesses in the Organisation's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains the follow amount of recommendations

High	Medium	Low	Total
0	2	1	3

1.3   Summary of Control Assurance Provided

1.3.1 **Substantial -** Internal Audit are able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

2 **Positive Assurance**

We attempted to establish whether the organisation's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.1 Policies and Procedures

- SFRS have a detailed Information Security Policy that was last reviewed on 4th February 2019.

  This document brings together the SFRS suite on information security policies that includes:
    - Bring Your Own Device (BYOD) and Teleworking Policy;
    - Business Continuity Management Policy;
    - CCTV, Video and Audio Surveillance Policy;
    - Copying Copyright Material;
    - Data Protection, Privacy and Confidentiality Policy;
    - Freedom of Information Access, Publication and Re-use Policy;
    - ICT Acceptable Use Policy;
    - Information Backup and Restore Policy;
    - Password Management Policy;
    - Record Retention and Disposal Policy;
    - Security Classification Policy; and
    - Third Party Access (ICT Systems) Policy.

- In addition, SFRS have developed an Incident Response Plan that addresses the following elements of an information security incident.
    - Definitions;
    - Responsibilities;
    - Information Security Events and Incidents;
    - Information Security Incident Response Lifecycle;
    - Information Security Incident Classification;
    - Reporting Information Security Events and Weaknesses;
    - Evidence Collection;
    - Information Security Incident Response; and
    - Learning from Information Security Incidents.

2.2 Criticality Assessment

- As part of their business continuity approach SFRS have identified key dependencies on people, technology, suppliers, partners in respect of information assets including the hardware, and software.
- SFRS critical assets register identifies key assets that may be targeted, including infrastructure, systems and personal data.

2.3   Cyber Security Incident Threat Analysis

- SFRS have a mature approach to Risk Management as it is core to all of their operations. Cyber risk has been embedded into the risk management process.

2.4   Roles and Responsibilities

- Cyber security roles and responsibilities have been established and documented. In addition, a Protective Security Strategy Group (PSSG) has been established that meets quarterly. The PSSG's stated purpose is "to provide support and direction for the implementation of protective security controls across the service". Included as standing agenda items are:

  - Security Incidents;
  - PSN/ESN Cyber Essentials Plus;
  - ESMCP Update; and
  - Current Threats and Service standards.

2.5   SFRS State of readiness

- SFRS have embedded a mature incident response capability that is drawn from many years of dealing with incidents and includes information from third parties as well as lessons learned.
- In the incident response plan specific resources in terms of people and technology have been identified and received the appropriate training.
- SFRS have begun to run a series of simulations that include cyber incidents to help with training and evaluate responses to incidents.

FINAL Report
Integra Security
1 Executive Summary

1.1 Scope and Background of Audit

1.1.1 Following the 2017/18 SAP Replacement Integra Financials audit, which highlighted a number of control weakness relating to the security of Integra, it was decided that a full security audit should be undertaken as part of the 2018/19 audit plan.

1.1.2 This audit reviewed four key areas: application security; segregation of duties; disaster recovery; and change management. Overall there is a satisfactory level of control over system security, but the audit has highlighted a number of control weaknesses.

1.1.3 The key area where there are control weaknesses is with disaster recovery. The system is hosted remotely by Capita. Capita have provided Staffordshire Fire and Rescue Service with a detailed document, setting out the proposed backup and recovery arrangements, however this does not form part of the contract. As Capita do not provide confirmation to the Fire Service that backups are being carried out as planned, and carried out successfully, SFRS can only trust that this is being done.

1.1.4 Other areas for improvement include the management of users, particularly inactive user accounts not being deactivated promptly.

1.1.5 Change control procedures were good and documentation clearly showed the user testing carried being out.

1.2 Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
Appropriate controls are operational to ensure that the system is secure.	10	7	2	1
Appropriate segregation of duties/responsibilities exist within the system to reject any user from creating/amending/approving transactions within the system from a single login.	5	4	0	1
There are continuity processes in place to ensure continued system availability.	6	0	4	2
Appropriate controls are in place to ensure that changes to the Integra system are managed effectively.	5	5	0	0
TOTALS	**26**	**16**	**6**	**4**

1.2.1 The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Priority	Analysis of user accounts identified 10 active accounts that had not been accessed in the past 12 months.	Implemented
2	Low Priority	Logical access controls are not in line with best practice in that user accounts are not locked after a number of unsuccessful login attempts. The password history parameter is also unknown.	31/07/2019
3	Medium Priority	Whilst the Fire Service conducts annual health checks against the externally facing firewall of Integra, no penetration test is completed of the hosted solution.	31/07/2019
4	Medium Priority	The audit logs are not reviewed in a structured manner, and reviews are not documented.	30/04/2019
5	Low Priority	Terms within the contract are not specific enough in relation to the frequency of backups.	31/07/2019
6	Medium Priority	There is an assumption that backups are being carried out daily and tested but there is no confirmation of this.	31/07/2019
7	Low Priority	The business impact assessment does not consider timescales.	31/07/2019

This report focuses on the weaknesses in the Organisation's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains the follow amount of recommendations

High	Medium	Low	Total
0	3	4	7

One minor priority issue has been highlighted for management's consideration.

1.3 Summary of Control Assurance Provided

1.3.1 **Satisfactory -** Internal Audit are able to offer satisfactory as most of the areas reviewed were found to be satisfactory controlled. Generally, risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

2 **Positive Assurance**

We attempted to establish whether the Organisation's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.1 Application Security

- Controls around the complexity of passwords are appropriate.
- Users are forced to change their password on their first log in.
- There is a suitable Appropriate Use Policy in place and staff take suitable steps to protect access to data within the office environment.
- The firewall whitelist was reviewed and considered appropriate. The whitelist is a key control and only allows access to Integra from known and trusted IP addresses, reducing the risk of access from external networks.

2.2 Segregation of Duties

- The access permissions of a sample of 10 staff were reviewed for appropriateness and found to be satisfactory.
- Staffordshire Fire & Rescue staff do not have access to the operating system as it is hosted externally and therefore cannot override access controls via the operating system.
- Users do not have access to install software; this is controlled through IT.

2.3 Change Management

- There are suitable change control standards defined as to how changes to the Integra environment are to be tested and implemented which have been provided by Capita.
- Suitable records are maintained regarding system changes and User Acceptance Testing.
- Changes to the system are instigated by Capita.
- Changes are tested in a test environment by Staffordshire Fire & Rescue Finance team; prior to release. The training system is also upgraded at the same time.

Appendix 2

Counter Fraud & Corruption Work

Introduction and Context

During the 2018/19 financial year, Internal Audit has continued to develop its counter fraud and corruption test programme.

Internal Audit assesses annually the levels of risk within the Staffordshire Commissioner Fire and Rescue Authority and Service with a view to preventing fraud and corruption.

Test programmes based upon the former Audit Commission's fraud and corruption checklists have been used in 2018/19 for all 'key' financial areas identified as part of the annual risk assessment process. The Staffordshire Commissioner Fire and Rescue Authority's and Service's arrangements in place to address the risks relating to fraud and corruption were evaluated against these test programmes.

All issues identified have been reported to management and where appropriate recommendations have been made. These recommendations have been classified as either:

- High (H) - Matter that is considered fundamental to senior management that requires immediate attention and priority action.
- Medium (M) - Matter that is considered significant that should be addressed within six months.
- Low (L) - Matter that merits attention and would improve overall control levels.
- Good Practice/Added Value (GP) – For consideration only.

The satisfactory implementation of these will improve the organisation's control framework.

Overall, the fraud and corruption work carried out in 2018/19 indicates that satisfactory counter fraud and corruption arrangements are in place for those "key" financial areas reviewed.

Payroll & Pensions

Payroll and pensions are considered to be a high-risk area due to the value of expenditure and volume of transactions that are processed on an annual basis. Fraud and corruption work focused upon supervisory checks performed, the authorisation of transactions, controls surrounding amendments to payroll and pensions master data and access permissions to systems as well as an evaluation of the level of separation of duties and monitoring processes in place.

Testing found that the following improvements were needed to enhance the Authority's counter fraud and corruption arrangements: -

Payroll

- The need to revoke access to the system administrator role promptly **(M)**;
- The need to improve the way the reconciliation between the Firewatch and payroll systems is evidenced **(L)**;
- The need to obtain management confirmation of a schedule of their employees is completed. It is however acknowledged that reconciliations between the time management and payroll systems as well as the budget monitoring arrangements in place should provide some assurance that only bona fide employees are being paid **(GP)**;
- The need to ensure that action slips for payroll leavers are sent to the Payroll Team promptly **(GP)**; and
- The need to ensure that the checks completed pre-and post-payroll are evidenced in full **(GP)**

Pensions

- The need to ensure that salary amounts are visible in the MyPension system for 2018/19 **(L)**;
- The need to ensure that leavers are reported promptly and clearly to the Pensions Service provider **(L)**;
- The need to ensure that lump sum payments made are recorded within the MyPension system **(M)**;
- The need to ensure that overpayments are recovered promptly **(L)**;
- The need to ensure that original pension values are correct in MyPension and pension increases are accurately recorded **(L)**;
- The need to improve the access given to specific SF&RS officers relating to the MyPension system as their access is extremely limited and very little supporting documentation is visible **(M)**; and
- The need to ensure that the level of the contractors delegated authority is documented **(M)**.

Expenses

The expenses area is considered high risk due to the value and volume of transactions that are processed on an annual basis and the potential for error and misappropriation. Our counter fraud and corruption work evaluated the validity and accuracy of claims submitted, the appropriateness

of expenditure incurred, the certification of claims, as well as the level of documentation to support claims made and guidance made available to officers.

During 2018/19, no areas for improvement were highlighted for expenses.

Financial Ledger

Cash/other income payment types remain highly susceptible to misappropriation. Consequently, sound central systems and an adequate separation of duties are essential to reduce the potential for fraud and corruption.

The financial ledger could be subject to fraudulent manipulation of positions, or falsified transaction entries.

The 2018/19 Financial Ledger & Bank review identified the following area for improvement in relation to the organisation's counter fraud and corruption arrangements:

- The chart of accounts was set up 18 months ago when the Fire Service moved across to the Integra finance system. Although the codes are removed or amended on an ad hoc basis as they are noticed, there is no formal documented task included on the task checklists.

  Where the coding structure is not reviewed and updated there is a risk that dormant accounts may be used in error, creating a miss analysed set of accounts **(GP)**.

Stock Management System

On 1st May 2018, Staffordshire Fire and Rescue Service (SFRS) transferred all stock records to the Integra Stock Module. The Integra Stock Module is integrated to the Integra Finance System, allowing for real time stock information to be generated from the system. Previously Staffordshire Fire &b Rescue Service had used the OPEX system to maintain stock management records.

The main Counter Fraud & Corruption work undertaken during this review was to confirm that physical stock levels have been verified and cross referenced to the information in Integra. No recommendations were made as part of this review, but the following minor issue was identified:

- A physical audit of all stock had been completed and verified to information in the Integra System. Finance are assisting the Stores Team in completing physical spot checks against system records and any discrepancies are investigated by the Assistant Stores Manager. Whilst the audit did not identify any coding errors, the Assistant Stores Manager confirmed a variance had been identified as part of spot checks as a result of reconditioned stock (clothing) being mixed with new stock, this had now been rectified.

  Stock coding errors or misplaced stock may result in loss through fraud/error and result in information being incorrectly recorded in the financial system. To prevent stock code posting errors, the use of barcoding was recommended **(GP)**.

Procurement of Desirable Goods

The objective of the audit review was to undertake compliance testing in relation to the procurement and security of desirable assets and to provide assurance that the controls in place to mitigate the risk of fraud can be relied upon.

Internal Audit testing focused on the procurement of mobile phones, laptops and Personal Protective Equipment (PPE) and a physical verification of a sample of items to ensure that in each case, the items could be found at the designated location or held by the assigned employee.

No recommendations were made as part of this review.

Community Interest Company (CIC)

The CIC was set up in 2010 to work with partners and communities to provide innovation opportunities to improve health, wellbeing and safety across Staffordshire. The CIC was set up with 100 ordinary shares of £1 each, with the shareholding split between Stoke on Trent and Staffordshire Fire Authority, Fire Support (PFI1), and Groundwork West Midlands.

The 2018/19 review identified the following areas for improvement in relation to the organisation's counter fraud and corruption arrangements:

- The need to have in place a formal Scheme of Delegation which is documented **(M)**;
- The need to ensure that all expenditure is appropriately approved in accordance with the CIC's Financial Strategy. **(M)**;
- The need to ensure that evidence is held to show that credit card holders sign up to the Purchasing Card Policy **(L)**;
- The need to improve the evidence retained to show that credit card holders have certified as correct their card balances **(L)**;
- The need to improve how the bank reconciliations are carried out. It was noted that bank reconciliations are only documented when there is a difference between the bank statement and the QuickBooks financial system balances, and a secondary officer check is not being evidenced **(L)**.

Cyber Security

Cyber security is the encompassment of an organisation's technologies, processes and practices to protect its network and data from attack, damage and unauthorised access. It is now widely considered to be a necessity for most organisations to employ some form of cyber security defences in order to protect its data. It is also important to consider how cyber security tactics can be deployed to prevent the possibility of internal and external corruption.

During 2018/19, a Cyber Crime audit review was undertaken to assess the Service's cybersecurity preparedness and response effectiveness. This audit was aligned to the CREST Cyber Security Incident Response Guide. The guide provides advice on how to prepare for, respond to and follow up an incident in a fast and effective manner.

Our testing identified the following areas for improvement in relation to the organisation's counter fraud and corruption arrangements:

- The approach to cyber security could be better focused. While work has been undertaken to identify the Critical Systems, further work is needed to identify the most likely threats that could impact these systems and the most appropriate response to mitigate these threats **(M)**;
- SFRS need to document what can or cannot be done to limit the potential for a cyber incident within their current resources and budget **(L)**; and
- SFRS need to identify different attack vectors and develop containment strategies for each type, with criteria documented clearly to facilitate decision- making and to ensure suitable processes are in place to collect and preserve evidence in line with relevant laws including: Police and Criminal evidence act 1984 (PACE), Data protection Act 2018, Computer Misuse Act 1990 and Regulation of Investigatory Powers 2000 (RIPA) **(M)**.

National Fraud Initiative (NFI) 2018

Internal Audit facilitates the biennial national data matching exercise with a view to identifying and reducing Staffordshire Commissioner Fire and Rescue Authority's and Service's exposure to fraud. In 2018, data covering payroll, pensions and trade creditor transactions was extracted and submitted to the Cabinet Office for matching against other data sets including the Department for Works and Pensions (DWP) records. 135 potential data matches were received back for investigation during the fourth quarter of 2018/19 by the Cabinet Office.

94 of these potential matches have been reviewed and closed by the Fire Service, with no further action being required. Matches relating to pensions are actioned by the West Yorkshire Pension Fund. As approved in the 2019/20 Internal Audit Plan, one day has been allocated to provided assistance where required in the investigation of any potential matches. Further progress made against the remaining matches will be reported to future ETAP meetings.

Developing Counter Fraud and Corruption Related Work

During 2018/19, Internal Audit has continued to deliver the message on maintaining a vigilant approach to fraud as part of their audit work for Staffordshire Commissioner Fire and Rescue Authority and Service. This included the completion of the Fraudwatch newsletter which was communicated authority wide during March 2019. This newsletter included the results of the 2018 CIPFA Fraud and Corruption Survey, the Internal Audit role in counter fraud, fraud red flags, what to look out for in 2019 and details on how to report concerns.

Proposed Developments in 2019/20

The Ministry of Housing, Communities and Local Government ('MHCLG') are expected to release a guidance document on Procurement Fraud in mid to late 2019. Procurement fraud is an area of focus that is often cited as one of the largest risks facing the public sector in the UK, although this covers a wide range of systems and processes from supplier selection, contract management to invoice payment. We will take any learning from this guidance document and incorporate it into our Counter Fraud Plan in future years.

Similarly, we await publication of a new Fighting Fraud Locally strategy and will be using this to identify areas for improvement in our Counter Fraud Work Plan in future years.

Areas for further development of data analytics have been identified and we will use this to inform the development of data analytics at Staffordshire Fire and Rescue Service during 2019/20.   Areas for improved efficiency of data analytics is being considered also, with the introduction of 'scripting' where appropriate to add a further degree of automation and consistency for the more complicated areas of data analysis.

As testing routines are refined, we will seek to transfer the responsibility for review and processing of data analytic findings back to appropriate operational managers (the "2nd line of defence"), retaining Internal Audit's role as the "third line of defence". The intention is to end up with a process where data analytics will routinely identify for management potential irregular transactions and activity on a routine basis for local review and resolution.

Internal Audit will continue to integrate a data driven approach in to its audit work including its counter fraud work to improve efficiency, enhance assurance, strengthen monitoring and provide valuable insight into business operations.