



Staffordshire
Fire and Rescue Service
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Appendix 1

Staffordshire Commissioner Fire and Rescue Authority

INTERNAL AUDIT PROGRESS REPORT

23rd October 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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INTERNAL AUDIT PROGRESS REPORT

Introduction

This report presents the progress made against the Internal Audit Annual Plan for 2019/20 in addition to providing an update for the Ethics, Transparency and Audit Panel (ETAP) on Internal Audit activity since the last meeting held on 24th July 2019. It also provides information on the progress against recommendations made to the Fire & Rescue Service by Internal Audit.

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- **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 adequately 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.

2019/20 Audit Plan Progress

Audit Name	Status	Assurance
General Audits		
Police – Fire Collaboration	In Progress	
Fire Fighters Pensions administration & Pensions Payroll*	Planning – Fieldwork commencing W/C 25/11/19	
Budgetary Control, Financial Monitoring & Reporting	Not Started - Planned for January 2020	
Financial Ledger & Bank (Integra – NML)*	Not Started – Fieldwork commencing 17/2/20	
Payroll Processing Procedures*	Not Started – Fieldwork commencing 21/2/20	
Insurance Arrangements	Final Report Issued	Satisfactory
ICT Audits		
Firewatch – Application Audit	Submitted for Review	
Cybersecurity – Patch Management	Planning - Fieldwork commencing 24/10/19	
Anti-Fraud Culture		
Fraudwatch Publication	Not Started - Planned for Q4	N/A
Detection		
National Fraud Initiative 2018	In progress	
Development and undertaking of Data Analytics	Planning	
Prevention		
Fraud Risk Assessment	Not Started - Planned for Q4	N/A
Fraud and Corruption Checklists	*Completed as part of the above systems audits	

Since the last ETAP in July 2019, the Insurance Arrangements audit has been finalised. A satisfactory assurance opinion was awarded with a total of 9 recommendations being made, the management summary for this report is contained within **Appendix 1**.

The fieldwork for the Firewatch Application audit has been completed and submitted for review and the fieldwork relating to the delivery and management of Fire/Police collaboration opportunities is underway. Further to this, planning relating to the data analytics work has been taking place. To date, meetings have been held with Fire Finance Management to determine the testing to be undertaken. A protocol relating to the logistics and security of data has also been drafted and submitted to Fire ICT Management for approval following constructive discussions during September.

Adjustments to the Internal Audit Plan

No changes have been made to the 2019/20 Internal Audit Plan.

Audit Recommendations

As part of Internal Audit's service to the Staffordshire Fire and Rescue Service, we record, monitor and report on all recommendations that have been made in our audit reports.

Risk Rating

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

- **High Priority**
- **Medium Priority**
- **Low Priority**

Since the implementation of an Audit Management System in 2016 which is used to monitor all recommendations, a total of 154 recommendations have been imported for monitoring and reporting. Of these recommendations, 1 is a high priority, 62 are a medium priority and 91 are a low priority.



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 internal audit's 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.

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Recommendations Summary

The table below summaries the status for each recommendation made to the Staffordshire Fire & Rescue Service. A further 7 recommendations have been implemented since the last ETAP meeting.

Priority	Recs Made	Implemented	No Action to be Taken		Not Yet Implemented			Agreed/Revised Action Date	
		Implemented	Superseded	Risk Accepted	Deferred	Partially Implemented	Outstanding	Not Overdue	Overdue
High	1	1	0	0	0	0	0	0	0
Medium	62	54	0	1	2	0	5	5	2
Low	91	82	2	2	1	0	4	3	2
TOTALS	154	137	2	3	3	0	9	8	4

Overdue Recommendations

Of the 154 recommendations that Internal Audit are tracking, 12 have yet to be implemented with four having passed their agreed or revised action date. A summary of these recommendations is shown below with further detail being shown in **Appendix 2**.

Audit	Priority	Control Issue	Agreed Action Date	Revised Action Date
Fire Integra - System Security	Medium	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	-
Fire Integra - System Security	Low	The business impact assessment does not consider timescales.	31/07/2019	-
Fire Fighters Pensions Administration and Payroll	Low	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.	01/06/2019	-
Fire Fighters Pensions Administration and Payroll	Medium	The level of the contractors delegated authority has not been documented.	01/07/2019	-

Appendix 1

FINAL Report

Insurance Arrangements

1 Executive Summary

1.1 Scope and Background of Audit

1.1.1 This report summarises the results of an Internal Audit review of Staffordshire Fire & Rescue Service (SFRS) insurance arrangements in place to ensure arrangements are being administered adequately, appropriately and in a timely fashion to assist the Fire Service with future options and decisions for cover in the coming years. This Internal Audit is part of the annual plan for 2019/20.

1.1.2 The audit focused on the following key control areas:

- Insurance cover is arranged and administered in accordance with SFRS's Financial Regulations.
- Insurance arrangements are managed appropriately and are reviewed regularly.
- All claims are recorded and monitored.
- To ensure key data protection principles are being complied with in the service area.
Note: Subsequent to April 2019 all Internal Audit reviews consider GDPR requirements where personal data is utilised within the process under review.

1.1.3 SFRS use Gallagher Bassett as claims handler to administer claims and provide risk control services and use Arthur J. Gallagher Insurance Brokers Limited as broker to procure insurance. Gallagher Bassett is not the claims handler for motor vehicle claims, as these are managed by Travelers Insurance Company Limited as the insurance provider.

1.1.4 This audit has examined insurance claims processed during the period 1 January 2018 to 12 July 2019.

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
Insurance cover is arranged and administered in accordance with SFRS's Financial Regulations.	4	2	1	1
Insurance arrangements are managed appropriately and are reviewed regularly.	5	4	0	1
All claims are recorded and monitored.	5	1	2	2
To provide assurance that key data protection principles are being complied with in the service area.	1	0	1	0
TOTALS	15	7	4	4

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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	The Transport Admin Assistant at the SFRS Transport Depot is the only officer that reports motor vehicle accidents to the insurance company, therefore incident reporting is delayed when she is absent from work.	Implemented
2	Medium Priority	SFRS does not have signed contracts in place with its broker (Arthur J. Gallagher Insurance Brokers Limited) or with its claims handler (Gallagher Bassett).	01/04/2021
3	Medium Priority	The Auditor requested documentary evidence that best value had been investigated and achieved by remaining with the same broker since 2006 but documentary evidence of this was not provided during the audit.	37/07/2020
4	Low Priority	The contract with the claims handler was based upon the service providers terms and conditions.	01/03/2020
5	Low Priority	Costs relating to insurance claims where SFRS is not at fault are not being recovered using the uninsured loss recovery (ULR) insurance with MAPS Legal Assistance. Costs totalling £5,986.60 for eight 2018 accidents and costs for six claims completed to date totalling £5,468.31 for 2019 claims could have been recovered. A further three claims for 2019 accidents are in progress therefore costs are unknown at the time of the audit.	Implemented
6	Low Priority	Evidence was not provided during the audit to verify whether the Transport Team report on motor vehicle claims periodically.	01/03/2020
7	Low Priority	Claims received are not reconciled to service provider records to ensure all cases have been captured and progressed.	01/12/2019
8	Low Priority	Travelers handle claims to completion but the Transport Admin Assistant advised the Auditor that they do not have access to Travelers motor insurance provider records to track insurance claim progress.	Implemented
9	Low Priority	Examination of six motor vehicle claims identified two claims which had not been reported to the insurer promptly.	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 number of recommendations:

High	Medium	Low	Total
0	2	7	9

Another 5 minor priority issues have been highlighted for management's consideration.

1.3 Summary of Control Assurance Provided

- 1.3.1 **Satisfactory** - Internal Audit are able to offer adequate 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 the audit confirmed that the following adequate controls were in operation:

2.1 Financial Regulations Requirements

- Staffordshire Fire & Rescue Services (SFRS) Financial Regulations, dated December 2016, outline SFRS's insurance responsibilities. The Financial Regulations are available to staff as they are published on SFRS's intranet (Staffnet).
- Asset lists are being maintained to record property, ICT equipment and motor vehicles, which are provided to the insurance providers, and checks are performed to ensure that cover provided corresponds with information received from the service areas.
- Arrangements are in place to ensure that the transfer of assets to Staffordshire Police, as part of the collaboration process, are being identified and appropriately adjusted.

2.2 Insurance Arrangements

- Insurance responsibilities are assigned clearly to appropriate officers. The Head of Emergency Response Team and the Strategic Risk Manager are responsible for insurance arrangements, as detailed within the Emergency Response Team Risk Register. The Transport Admin Assistant reports motor vehicle accidents to the insurer and claims are handled by the insurer.
- There is a mechanism in place to review SFRS's insurance cover at annual renewal to add new assets and remove disposals to ensure appropriate cover is arranged.
- The audit confirmed that there are up to date insurance policies and certificates in place covering relevant areas, including Employers Liability, Public Liability, Professional Indemnity, ICT equipment, and Motor Insurance. All insurance policies are valid for the period 1 April to 31 March annually.
- Insurance details are published on SFRS's Staffnet intranet webpage to ensure documentation is available for officers to access should a claim need to be made.
- The audit confirmed that systems are in place to ensure legal requirements are met. SFRS's Financial Regulations outline SFRS's insurance responsibilities, with paragraph A.4 stating that it is the Treasurers responsibility to ensure the provision of appropriate insurance cover. The Treasurer referred to is the Director of Finance, Assets & Resources as Section 151 Officer (Chief Finance Officer) in the Office of the Police, Fire and Crime Commissioner for Staffordshire and for the Staffordshire Fire and Rescue Authority/Service.
- SFRS uses the Drivotech service to validate driving licences against the DVLA or DVA database. Anyone that drives on behalf of SFRS or that claims mileage has their driving licence checked at regular intervals, the frequency of which is dependent upon the number of points on their driving licence.
- Discussions with the Strategic Risk Manager and the Transport Admin Assistant confirmed that they ensure that all accidents are reported to the insurance broker or insurance provider for motor vehicle claims to meet SFRS's legal requirements.

- The Transport Admin Assistant road taxes SFRS vehicles using DVLA's online process and this automatically confirms that valid insurance and MOT are in place. Some SFRS vehicles are exempt from MOT (Fire Appliances/Engines) and some of the older appliances have to be taxed via the Post Office as the DVLA system indicates that a MOT is required even though exempt.

2.3 Processing of Claims

- The audit confirmed that systems are in place for acknowledging and recording claims. Employer and public liability claims are recorded within SFRS's JCAD LACHS claim monitoring system and the claim handlers Risx-Facs system. Motor vehicle incidents are recorded within SFRS's Jaama fleet management system.
- The Strategic Risk Manager has access to the claim handlers Risx-Facs system to monitor claims to track their progress and she can see correspondence and notes recorded by the claim handler. Claims are also logged within SFRS's JCAD LACHS claim monitoring system. Sample testing of four insurance claims (three employer liability and one public liability) confirmed that claim progress was recorded within the claim handlers Risx-Facs system and in SFRS's JCAD LACHS system.
- Examination of 10 insurance claims (three employer liability, one public liability and six motor vehicle claims) confirmed that the claims were accepted as valid claims by the broker or insurer as claim reference numbers were received and therefore costs could be recovered where appropriate.

Appendix 2

Overdue Audit Recommendations

1877	Fire Integra - System Security				Report Issued	02/04/2019
Rec Number	Rating	Action Date	Revised Action Date	Status	Reminders Sent	Responsible Officer
3	Medium Priority	31/07/2019	-	Outstanding	1	Head of ICT

Control Issue

Whilst the Fire Service conducts annual health checks against the externally facing firewall of Integra, no penetration test is completed of the hosted solution.

Recommendation

The Fire Service should consider commissioning an external penetration test against Integra by an independent 3rd party to gain assurance that Fire Service data is held securely within Integra.

Action Details

We will explore the option of penetration testing on the offsite Integra Server.

Status Updates

Update from Corrina Bradley 14/10/19 - Discussions are now underway between Wil Lloyd and SCC Stuart Nixon for a joint piece of work on the penetration testing.

Update from Corrina Bradley 8/7/19 - Patches are performed monthly as an ongoing activity by Capita hosting team. Service Delivery Manager to understand the documents they hold and the evidence they can produce (the procedure in place and the evidence of compliance). WL/CB to chase up Capita.

1877	Fire Integra - System Security				Report Issued	02/04/2019
Rec Number	Rating	Action Date	Revised Action Date	Status	Reminders Sent	Responsible Officer
7	Low Priority	31/07/2019	-	Outstanding	1	Head of ICT

Control Issue

The business impact assessment does not consider timescales.

Recommendation

Management should consider including short, medium and long term effects within the risk assessment.

Action Details

A Business Impact Assessment will be carried out to consider the short term, medium term and long-term impact.

Status Updates

Update from Corrina Bradley 8/7/19 - Waiting for feedback from WL regarding BIA.

1872	Fire Fighters Pensions Administration and Payroll				Report Issued	24/04/2019
Rec Number	Rating	Action Date	Revised Action Date	Status	Reminders Sent	Responsible Officer
11	Low	01/06/2019	-	Outstanding	6	Director of FAR

Control Issue

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.

Recommendation

The Director of Finance, Assets & Resources should review the backup and disaster recovery arrangements with WYFP to determine whether the length of time between disaster recovery testing is acceptable. Appropriate action should be taken, as determined.

Action Details

This is to be discussed and reviewed with WYFP.

Status Updates

None

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1872	Fire Fighters Pensions Administration and Payroll				Report Issued	24/04/2019
Rec Number	Rating	Action Date	Revised Action Date	Status	Reminders Sent	Responsible Officer
12	Medium	01/07/2019	-	Outstanding	5	Director of FAR

Control Issue

The level of the contractors delegated authority has not been documented.

Recommendation

The level of the contractors delegated authority should be agreed and documented, and processes should be in place to monitor the contractor's adherence to the powers that have been delegated to it.

Action Details

The delegations are being update and will be reported through the Strategic Governance Board

Status Updates

None

