

AUDIT AND RISK MANAGEMENT

INTERNAL AUDIT REPORT

BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY

ASSET MANAGEMENT SYSTEM 2015/16

November 2015





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Audit Control:

Closing meeting:	30 October 2015
Draft report:	2 November 2015
Management responses:	2 November 2015
Final report:	2 November 2015

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1. Executive Summary

1.1 Overall Audit Opinion

In our opinion **Reasonable** assurance can be provided that relevant risks are effectively identified, managed and controlled.

1.2 The overall audit assurance is made up of three supporting judgements:

- a) Our assurance on the adequacy of the risk management techniques employed within the auditable area is reasonable. This relates to the extent to which relevant risks have been identified, monitored and managed.
- b) Our assurance on the adequacy of the existing control framework to reduce identified risks to an acceptable level is reasonable.
- c) Our assurance on the adequacy of compliance with the existing control framework is limited.

1.3 The Red Kite asset management system, EMS, was procured to replace the Miquet system which was found to be ineffective. The system has been in place since 2014 and has been rolled out and training given to all fire stations with the exception of Olney, which is in the process of being brought onto the system. The system records equipment and consumables and is also used for requisitioning replacement items of stock and for reporting equipment defects.

1.4 In addition to the findings summarised below, we also found the following examples of good practice:

- The Asset Management System Officer has an in depth knowledge of the system.
- Guidance notes for the Red Kite System are clear and comprehensive.

1.5 Some areas for improvement were identified. All High recommendations are listed below:

- The Asset Management Officer and the Asset Management Technician both have 'full' access to the system. This allows them to set up users, record and make changes to equipment records. There is a risk that unauthorised changes can be made to the system which go undetected due to the audit trail reporting functionality not being utilised.
- Access to the system requires a unique username; however, the password given to the user when they are first set up on the system is generic. The software does not prompt users to change their password on first access. There is a risk that any user could gain access using another user's log in to make unauthorised/inappropriate changes to the system.



- The contract with Red Kite was not held on site. There is a risk that staff are unaware of the agreed specification for the system, the system is not delivering what has been agreed and ineffective contract monitoring.
- There is a list of standard reports that are obtainable from the Red Kite System. The only report to be utilised is the stock report which was run in September 2014; this was found to contain inaccuracies. If management reports are not reviewed regularly there is a risk that inaccuracies in the system are not corrected and financial information held within the system is not monitored.



1.6 Recommendations summary:

In order to provide an assurance on the extent to which the risks identified are managed, our review focussed on the main business objectives within the Asset Management System.

Progress in implementing the management actions will be tracked and reported to the Overview & Audit Committee.

Business Objective	Risk	Findings		
		High	Medium	Low
Governance and system security	Appropriate security is not provided over access to system and data allowing data to be compromise.	2	1	0
	Lack of provision for system recovery and continuity of business processes leading to a loss of data and time.	1	0	0
	Staff are unaware of their responsibilities and the required procedures for the new system leading to data on the system being incomplete/inaccurate.	0	0	0
	System support arrangements are not adequate leading to data not being updated in a timely manner.	0	0	0
Functionality and recording of assets	Assets are not identified, marked and recorded leading to risk of loss or misuse.	0	0	0
	Records are inadequate to enable identification of assets owned and determine those in use or not in use.	0	1	1
	Regular stock checks are not carried out leading to possible anomalies in records.	0	1	0
	Assets are written off/disposed of without proper authorisation.	0	0	0



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Reporting	The system does not produce accurate and timely information to enable effective management interrogation and reporting.	1		
TOTAL		4	3	1

The detailed findings are summarised in Section 3 of this report. All findings have been discussed with the Acting Director of Finance and Assets, Fleet Manager and Asset Management System Officer who have agreed all the findings and produced an action plan to implement them.

- 1.7 There were no aspects of this audit which were considered to have value for money implications for the Authority or which indicated instances of over control. Any relevant findings will have been included in the findings and recommendations section of this report.



2. Background

- 2.1 The audit review of the Asset Management System formed part of the agreed audit programme for 2015/16. The review was carried out during October 2015.
- 2.2 The Asset Management System was categorised as medium risk as part of the audit needs assessment exercise based on its relative importance to the achievement of the Authority's corporate objectives. The Authority's objective for the system is to provide the required functionality and reporting to manage the authority's assets. The objective of our audit was to evaluate the area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. A detailed summary of the scope of this review can be seen in Appendix A.
- 2.3 This is the first time that an audit has been carried out on the Asset Management System since it became operational.



3. Recommendations and Action Plan

The control description column details the actual controls that should be established to mitigate identified risk. The Findings & Consequences column details the results of analysis and tests carried out.

The priority of the findings and recommendations are as follows:

High immediate action is required to ensure that the objectives for the area under review are met.

Medium action is required within six months to avoid exposure to significant risks in achieving the objectives for the area under review.

Low action advised within 9 months to enhance control or improve operational efficiency.

	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
	Key Risk Area	Governance and System Security			
1	User access provides an appropriate separation of duties within the asset management system.	<p>The Asset Management Officer and the Asset Management Technician both have 'full' access to the system. This allows them to set up users, record and make changes to equipment records.</p> <p>There is a risk of inappropriate or unauthorised changes being made on the system which go undetected due to the audit trail reporting functionality not being utilised.</p>	High	<i>Roles will be reviewed and consideration will be given to passing system administrator responsibilities to IT or requesting Red Kite to look at the possibility of splitting roles. An independent review of the audit trail report will be undertaken on a quarterly basis.</i>	<p>Who to be actioned by: Fleet Manager</p> <p>When to be actioned by: 31 December 2015</p>



	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
2	System access requires a unique user name and is password protected.	<p>Access to the system requires a unique username; however, the password given to the user when they are first set up on the system is generic. The software does not prompt users to change their password on first access.</p> <p>There is a risk that any user could gain access using another user's log in to make unauthorised/inappropriate changes to the system.</p>	High	<i>The Asset Management System Officer will request that Red Kite implement the 'change password' prompt on first use.</i>	<p>Who to be actioned by: Asset Management System Officer</p> <p>When to be actioned by: 31 December 2015</p>
3	Access to the Red Kite system is removed/disabled for leavers.	<p>The access for a sample of staff that have left the Fire Authority since April 2015 was checked against the Red Kite system to ensure that their access had been disabled. It was found that two of the leavers were still on the system.</p> <p>There is a risk of inappropriate or unauthorised changes being made on the system.</p> <p>It was also found that leavers are deleted from the system rather than having their access disabled.</p> <p>This leaves an incomplete audit trail on the system and would make it difficult for a reviewer to identify changes made by the user.</p>	Medium	<i>The possibility of disabling leavers rather than deleting them will be investigated and actioned.</i>	<p>Who to be actioned by: Asset Management System Officer</p> <p>When to be actioned by: 31 December 2015</p>



	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
4	The contract with Red Kite includes an agreed time frame for the system to be reinstated in the event of system failure.	<p>The contract with Red Kite was not held on site.</p> <p>There is a risk that staff are unaware of the agreed specification for the system, the system is not delivering what has been agreed and ineffective contract monitoring.</p>	High	<i>Red Kite were unable to provide a copy of the contract. Management will check whether Legal/IT have a copy.</i>	<p>Who to be actioned by: Asset Management System Officer</p> <p>When to be actioned by: 31 December 2015</p>
Key Risk Area		Functionality and Recording of Assets			
5	All assets are bar coded and matched to the Red Kite system.	<p>A sample of ten purchase orders for assets and ten assets were tested to ensure that the assets were recorded on the Red Kite system and the bar code on the system matched that on the asset. Although the assets were recorded and the bar codes matched, the purchase order number for the asset was not recorded on the Red Kite system.</p> <p>Where there is more than one of the same item there is a risk that the location of each individual item cannot easily be found or the item matched to the invoice potentially leading to inaccurate management information.</p>	Low	<i>The Asset Management Officer has already been in touch with Red Kite regarding this. They will include a section for the purchase order number against assets.</i>	<p>Who to be actioned by: Asset Management System Officer</p> <p>When to be actioned by: 31 December 2015</p>



	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
6	There is an agreed timetable in place for inventory checks; inventories are carried out as per agreed timings.	<p>Reports are available from the Red Kite system to check whether inventories have been carried out to required timescales. Currently there are no checks in place to identify whether inventory checks have been carried out by staff.</p> <p>There is a risk that inventories are not carried out in accordance with required frequencies. If equipment is missing or has been moved between vehicles it may not be identified before an emergency call out.</p>	Medium	<i>This should be the responsibility of the Station Commanders. This will be discussed with the new Head of Service Delivery.</i>	<p>Who to be actioned by: Fleet Manager</p> <p>When to be actioned by: 31 March 2016</p>
7	An annual stock check is carried out by an independent person; any anomalies are investigated and actioned in accordance with Financial Instructions.	<p>A stock take was carried out on 1 April 2015 by Asset Management staff. A hard copy of the inventory check was not available.</p> <p>A sample of 15 items from the stock list on the Red Kite system was checked against the amounts held in the stores. There were discrepancies for 11 items.</p> <p>There is a risk that correct stock levels are unknown leading to incorrect reporting and a possible financial loss for the Authority.</p>	Medium	<i>Finance were given a hard copy of the inventory when the last stock check was undertaken. The system will be re-set to correct the inaccuracies then an independent stock check will be carried out.</i>	<p>Who to be actioned by: Asset Management System Officer</p> <p>When to be actioned by: 31 March 2016</p>



	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key Risk Area		Reporting			
8	Reports are run and reviewed by management on stock and history of orders both personal and for stations.	<p>There is a list of standard reports that are obtainable from the Red Kite System. The only report to be utilised is the stock report which was run in September 2014; this was found to contain inaccuracies.</p> <p>If management reports are not reviewed regularly there is a risk that inaccuracies in the system are not corrected and financial information held within the system is not monitored.</p>	High	<i>Management reporting will be developed; reports will be run and reviewed on a regular basis.</i>	Who to be actioned by: Acting Director of Finance and Assets When to be actioned by: 31 March 2016



Appendix A

AUDIT SCOPE AND FRAMEWORK

4. Specific Audit Scope

- 4.1 We have evaluated the area against the following identified risks which we agreed with management:

Governance and System Security

- Appropriate security is not provided over access to system and data allowing data to be compromised.
- Lack of provision for system recovery and continuity of business processes leading to a loss of data and time.
- Staff are unaware of their responsibilities and the required procedures for the new system leading to data on the system being incomplete/inaccurate.
- System support arrangements are not adequate leading to data not being updated in a timely manner.

Functionality and recording of assets

- Assets are not identified, marked and recorded leading to risk of loss or misuse.
- Records are inadequate to enable identification of assets owned and determine those in use or not in use.
- Regular stock checks are not carried out leading to possible anomalies in records.
- Assets are written off/disposed of without proper authorisation.

Reporting

- The system does not produce accurate and timely information to enable effective management interrogation and reporting.

- 4.2 Following preliminary risk assessments, the following processes were not included within the scope of this review and will be considered for inclusion within future audits of the area:

- Property repairs



5. Staff Interviewed

- David Sutherland, Acting Director of Finance and Assets
- Jez Finden, Fleet Manager
- Maria Darrell, Asset Management System Officer
- Chris Cook, Asset Management Technician
- Tony Hart, Asset Management Technician

6. Audit Methodology and Opinions

- a. The audit was undertaken using a risk-based methodology in a manner compliant with the CIPFA Code of Practice. The audit approach was developed with reference to the Internal Audit Manual and by an assessment of risks and management controls operating within each area of the scope. Where we consider that a risk is not being adequately managed, we have made recommendations that, when implemented, should help to ensure that the system objective is achieved in future and risks are reduced to an acceptable level.
- b. The matters raised in this report are only those, which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the risks that exist or all improvements that might be made.
- c. Each audit will result in an overall ‘audit assurance’. A detailed summary will be provided to the Overview and Audit Committee for all ‘limited’ assurance opinion reports. The range of audit opinions is outlined below:

ASSURANCE	SUBSTANTIAL	REASONABLE	LIMITED
Adequacy of risk management techniques employed within the area.	Thorough processes have been used to identify risks. Action being taken will result in risks being mitigated to acceptable levels. No more monitoring is necessary than is currently undertaken.	The action being taken will result key risks being mitigated to acceptable levels. Some additional monitoring is required.	No action is being taken, OR insufficient action is being taken to mitigate risks. Major improvements are required to the monitoring of risks and controls.
Adequacy of the existing control framework to reduce identified risks to an acceptable level.	Controls are in place to give assurance that the system’s risks will be mitigated.	Most controls are in place to give assurance that the system’s key risks will be managed but there are some weaknesses.	The control framework does not mitigate risk effectively. Key risks are not identified or addressed.
Adequacy of compliance with the existing control framework.	The control framework is generally complied with. Emerging risks are identified and addressed in a timely manner.	Compliance with the control framework mitigates risk to acceptable levels, except for the risks noted.	Compliance is poor so risks are not being mitigated to acceptable levels and it is probable that some objectives will not be, OR are not being achieved.



- d. The responsibility for a sound system of internal control rests with management. Internal audit procedures are designed to focus on areas identified by management as being of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.