

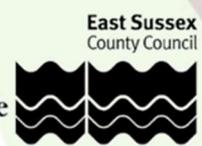


Internal Audit Report

Management of Operational Assets 2019/20

Final

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Prepared for: East Sussex Fire & Rescue Service
Date: March 2021



Internal Audit Report – Management of Operational Assets 2019/20

Report Distribution List

Draft and Final

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1. Introduction

- 1.1. ESFRS has a statutory duty to respond to emergencies. Operational assets are managed and maintained and must be readily available to allow the service to respond to emergencies 24/7, 365 days a year.
- 1.2. Operational assets consist of:
 - appliances;
 - equipment held on appliances;
 - service vehicles;
 - breathing apparatus;
 - non mobile stores;
 - equipment held at the training centre; and
 - health & safety equipment.
- 1.3. ESFRS maintains an asset catalogue of approximately 16,000 items.
- 1.4. Management of operational assets covers the entire life cycle of owning and using an asset including:
 - the identification of need;
 - procurement;
 - user acceptance testing and sign off;
 - operational use;
 - asset tracking;
 - maintenance and repairs; and
 - disposal at end of life.
- 1.5. This review is part of the agreed Internal Audit Plan for 2019/20.
- 1.6. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - There are robust plans and processes in place for replacing existing assets at end of life and identifying new assets which considers the views and needs of all key stakeholders.
 - All new assets are subject to user acceptance testing and sign off.
 - All assets are used in accordance with management instructions and training.
 - All deployed assets are adequately monitored and tracked.
 - Assets are maintained and repaired in accordance with legal and regulatory requirements and within agreed service levels.
 - Budgets for asset management are regularly monitored and any variances are reported to management.
 - The service has relevant performance indicators in place to give assurance to management that assets are being managed and maintained effectively.

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- Assets are disposed of in compliance with policies and procedures at end of life.
- 2.2. This review assessed the adequacy of arrangements for managing operational assets from identification of needs through to disposal, apart from the procurement stage which has been covered in other audit work. This review also considered the controls and checks in place whilst assets are managed on station, and the performance metrics and reporting options available to keep management informed.

3. Audit Opinion

3.1. **Partial Assurance is provided in respect of Management of Operational Assets 2019/20.**

This opinion means that there are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk. *Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

4. Basis of Opinion

- 4.1. ESFRS has no asset management strategy and there is no clear mechanism linking decisions on the procurement of new equipment to the Authority's overall strategy and to its operational needs. Policies relating to the management of assets are not always consistent or sufficiently comprehensive to provide a clear basis for the effective management of assets.
- 4.2. Procurement decisions are made by the Appliances & Equipment Planning & Implementation Group (AEPiG), which does not have all the appropriate representatives (e.g. Procurement) on it to ensure that relevant stakeholders are sighted on activity at a suitable early stage to maximise the value of their input.
- 4.3. As a result, decisions to procure are sometimes made on individual bases, without reference to the organisation's overall needs and without sufficient forward planning to allow an approach that would secure value for money.
- 4.4. The databases used for asset management rely too heavily on manual intervention to transfer information between them. The lack of an interface between these systems and others, including the accounting system, and limitations to their reporting functionality, increase the cost of obtaining management information whilst potentially reducing its reliability.
- 4.5. Inventory checks are not always carried out in accordance with schedules, reducing the likelihood that the loss of, or damage to, assets is identified early enough for corrective action to be taken and increasing the risk that maintenance expectations are not met.
- 4.6. However, controls were found to be in place in the following areas:
- 4.7. Equipment is tested, and appropriate training provided, before new assets are deployed.
- 4.8. Performance indicators are in place, supported by a dashboard to show the progress of repairs when faults or damage is reported.
- 4.9. Budget reporting mechanisms are in place to manage expenditure.

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5. Action Summary

5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	1	1
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	4	2, 3, 4, 5, 6
Low	This represents good practice; implementation is not fundamental to internal control.	2	2, 7
Total number of agreed actions		7	

5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.

6. Acknowledgement

6.1. We should like to thank all staff who provided assistance during the course of this audit.

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Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
1	<p>Asset Management Strategy</p> <p>The Authority does not have an overarching asset management strategy or a commissioning strategy. As a result, there is no clear mechanism linking the identifications of need, and the procurement, of new equipment to the Authority’s operational strategy or to its needs.</p> <p>This includes the ability to set specifications for equipment to match operational needs. For instance, correspondence was seen claiming that setting the specification for new thermal imaging cameras would be easy as there was a limited choice available, whereas the number of products on the market should have no bearing on the specification required to meet the Authority’s need. Only one product on the market met the chosen specification. (See also ref 3 for <i>ad hoc</i> purchasing.)</p> <p>The procurement of these cameras does not appear to have been carried out as part of an Authority-wide exercise, and</p>	<p>Without an asset management strategy, linking the procurement of new equipment to the Authority’s operational strategy or to its needs, there is an increased risk that equipment fails to meet the needs of the service and/or that increased costs are incurred.</p>	High	<p>The Authority will finalise and implement Fleet and Equipment Strategy.</p> <p>The Strategy will identify the requirement for a whole life asset cycle from concept design through to disposal and will enable better alignment with procurement through the existing Category Strategy and Action Plan.</p>

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Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
	<p>despite the apparent urgency of the purchases, only limited numbers of cameras have been purchased. This has meant that the threshold for quotations or tenders has not been reached and no alternative quotations were sought, although it was accepted that, to increase the numbers purchased, a more formal route to market would be required.</p> <p>It was also noted that there is no procurement forward plan (though there is a Category Strategy/Action Plan for Engineering) to enable the effective planning and resourcing of procurement exercises.</p> <p>The Authority has recognised the limitations arising from the lack of an asset management strategy and a strategy is currently being drafted.</p>			
<p>Responsible Officer:</p>	<p>Assistant Director OSR</p>	<p>Target Implementation Date:</p>	<p>30 June 2021</p>	

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Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
2	<p>Asset Management Policies</p> <p>A number of policies are in place to support the management of the Authority’s assets. However, they are fairly disparate and do not provide a clear structure. For instance, the CFOA¹ Fleet Management Best Practice Manual is referred to as the Authority’s ‘Bible’ but there is also an ESFRS Fleet Strategy, which makes no reference to the CFOA document.</p> <p>There is a vehicle and Equipment Lifting Policy to set out the expected lifespan of its operational assets. However, whilst the policy covers vehicles, it does not contain guidance on the expected life of other assets.</p>	Where policies are not sufficiently comprehensive and clearly linked, they may become more difficult to follow, resulting in a lack of effective oversight of assets.	Medium	<p>The new Fleet & Equipment Strategy will be comprehensive and ensure a clear structure to the management of assets, ensuring fleet and asset management systems are combined to provide assurance data and enable early identification and rectification of vehicle or equipment related deficiencies.</p> <p>The engineering department review process will ensure a robust and efficient set of policies as part of the business case for shared fleet management.</p>
Responsible Officer:		Strategic Engineering Manager	Target Implementation Date:	31 October 2021

¹ Chief Fire Officers’ Association
East Sussex Fire & Rescue Service

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Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
3	<p>Appliances & Equipment Planning & Implementation Group</p> <p>Decisions for the procurement of equipment are made through the Appliances & Equipment Planning & Implementation Group (AEPIG). The Terms of Reference for AEPIG show that Procurement has no seat on it.</p> <p>Two instances of papers prepare for AEPIG to support business cases for the procurement of new equipment were reviewed. Neither paper contained any details of the expected costs of the proposed equipment reducing the opportunity for AEPIG to make a fully informed decision. The procurement of thermal imaging cameras (see ref 1) was also an example of an unplanned purchase.</p>	<p>Without the involvement of Procurement at an early stage in the procurement process, opportunities to ensure compliant procurement practices and to secure value for money may be missed.</p>	Medium	<p>The terms of Reference of AEPIG will be reviewed to ensure that it is clearly linked to the new Fleet & Equipment Strategy and ensures the commissioner consults with the procurement specialist at the appropriate juncture to assure best value is achieved.</p>
Responsible Officer:		Assistant Director OSR	Target Implementation Date:	31 May 2021

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Ref	Finding	Potential Risk Implication	Risk	Agreed Action
4	<p>Asset Management Systems (1)</p> <p>The Authority records its assets on two systems: TRACE ASSET and FLEET ASSET. FLEET ASSET records vehicular assets, including details of servicing, where this is carried out in-house, which are then transferred manually to TRACE ASSET.</p> <p>There is no direct interface between these two systems, or with other systems, including the accounting system.</p> <p>Furthermore, reporting functionality is limited so that obtaining management information can be labour intensive and, therefore, costly.</p> <p>The Authority has recognised the limitations of its asset management system and has funding has been allocated to its replacement.</p>	<p>Without automated interfaces, there is a risk that data held on TRACE ASSET and FLEET ASSET diverge, weakening the authority's control over its assets.</p>	Medium	<p>The Authority will review its asset management requirement as part of a project to procure a new asset management system. This forms a key part of the Fleet and Engineering department review.</p>
Responsible Officer:		Strategic Engineering Manager	Target Implementation Date:	30 September 2021

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Ref	Finding	Potential Risk Implication	Risk	Agreed Action
5	<p>Asset Management Systems (2) Data downloaded from TRACE ASSET showed that the data fields are not populated consistently. Some fields were incomplete, and, in some cases, fields were used interchangeably, with, for instance, the 'ownership' field being used to record station number for some assets but vehicle registration for others.</p>	<p>Inconsistencies in the way fields on TRACE ASSET are populated may weaken control over the management of assets.</p>	Medium	<p>The department will reset its full resourcing status with the Asset Co-ordinator supporting the Equipment Officer to ensure robust datasets and performance information whilst business case.</p>
<p>Responsible Officer:</p>		<p>Engineering Services Manager</p>	<p>Target Implementation Date:</p>	<p>31 May 2021</p>

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Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
6	<p>Inventory Checks</p> <p>Records from TRACE ASSET showed that monthly asset checks at stations are not always carried out in accordance with the expected programme.</p> <p>Separate TRACE records covering the checking of the main appliance at each station also showed gaps in testing. It should be noted that equipment checks are not carried out after incidents, including those involving multiple appliances. Reliance is placed on routine checks to identify missing equipment, or equipment that has been stowed on the wrong appliance, and returned to the wrong station, following an incident. This is important because the location of assets needs to be known to ensure their maintenance is carried out correctly.</p> <p>The asset co-ordinator would normally have a role in supporting assets checks, but it was noted that this post is currently vacant.</p>	<p>If inventory checks are not carried out in accordance with the agreed programme, the loss of essential equipment might not be identified, leading to a reduction in operational effectiveness and increased cost to the Authority.</p>	Medium	<p>The Service will issue a directive communication to reinforce the requirement for comprehensive inventory checks to be undertaken and seek assurance from exception reporting via the asset co-ordinator.</p> <p>Opportunities to streamline and digitise the inventory check process as part of the procurement of a new asset management system will be explored.</p>

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Detailed Findings

Responsible Officer:	Engineering Services Manager	Target Implementation Date:	(i) 30 April 2021 (ii) Link to date for R4
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Detailed Findings

Ref	Finding	Potential Risk Implication	Risk	Agreed Action
7	<p>Training Records</p> <p>Testing found that training was provided to support the deployment of new equipment and that records were maintained of such training. However, no consolidated training record could be found that captured details of all training of all firefighters in one place.</p>	<p>Without a consolidated record of training, it may be more difficult to identify gaps, increasing the risk that equipment is used by firefighters who have not been trained in its use, which may result in assets suffering damage or reduced lifespan. It may also present a health and safety risk to the users.</p>	Low	<p>Training records will be a requirement for completion from all end users of appliances and equipment prior to release for operational use. This will include a return and record as part of the AEIPEG review.</p>
<p>Responsible Officer:</p>		Assistant Director OSR	<p>Target Implementation Date:</p>	31 May 2021

Appendix A

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.