

# Internal Audit Progress Report

**To February 2009 (2008/09)**

**Audit Committee - 30 March 2009**

**WEST MIDLANDS FIRE SERVICE**



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Sandwell Audit Services are pleased to be making a positive contribution to saving our rare and endangered species from extinction by sponsoring Tangra the Snow Leopard (pictured above) who is based at Dudley Zoo as part of the European Species Survival Programme. Snow leopards are found in the high mountains of Central Asia, specifically the Himalayas. They are powerful, agile animals, unfortunately they are also an endangered species as they live in a harsh and dangerous environment and are illegally hunted. The total population of the snow leopard is now in hundreds rather than thousands.

# 1 Introduction

The purpose of this report is to bring the Audit Committee up to date with the progress made against the delivery of the 2008/09 Internal Audit Plan.

The information included in this progress report will feed into, and inform our overall opinion in our Internal Audit Annual Report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

	Level	System Adequacy	Control Application
(positive opinions)	Substantial Assurance	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Satisfactory Assurance	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses.
(negative opinion)	Limited Assurance	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

This is based upon the number and type of recommendations we make in each report. Each recommendation is categorised in line with the following:

<b>Fundamental</b>	Action is imperative to ensure that the objectives for the area under review are met.
<b>Significant</b>	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.
<b>Merits attention</b>	Action advised to enhance control or improve operational efficiency.

## 2 Summary of Work Completed as at 28<sup>th</sup> February 2009

<b>Key:</b>	KFS	Key Financial System
		Previously reported to Committee
	*	Meeting arranged to discuss

Auditable Area	ANA Rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
HQ Relocation Follow-up audit	High	-	-	-	-	N/A	Substantial
Management of Fuel at Fire Stations	Medium	-	3	1	4	4	Satisfactory
Bank Account Reconciliations	Medium	-	-	2	2	2	Substantial
Pension Payroll	KFS	-	2	1	3	3	Substantial
Home Fire Safety Checks	Low	-	-	-	-	N/A	Substantial
IT Audit	High	-	6	5	11	*	Limited
Accounts Payable	KFS	-	-	4	4	4	Substantial
Risk Management/ Risk Assurance Framework	High	-	1	3	4	4	Substantial
Follow-up Audit:							
• Procurement	N/A	-	2	-	2	2	N/A
• Payroll	N/A	-	-	1	1	1	N/A
Underway:							
• Accounts Receivable	KFS						
• Budgetary Control	KFS						
• Absence Management	High						
• Governance	High						
• Partnerships	Medium						
• Procurement System	Medium						
• Counter-Fraud Audit	N/A						
• National Fraud Initiative	N/A						

### **3 Key Issues Arising for the period**

#### **3.1 Accounts Payable**

The Key Financial System (KFS) audit review was completed. Work on KFS's is used to inform the work of External audit. The key issues arising from the audit include:

- A report should be obtained to enable inactive suppliers to be removed from the creditors system,
- Reconciliation paperwork should be reviewed and signed by management to prove that it has been done on a timely basis.

#### **3.2 Accounts Receivable**

The Key Financial System (KFS) audit review has been undertaken and is now at management discussion stage.

#### **3.3 Management of Fuel**

Following an audit that was completed earlier in the year, management (PAIT – Performance Assessment Improvement Team) carried out a review. Generally the findings concurred with those of Audit Services, that whilst overall controls within the system, as currently laid down and operated, provide assurance, the application of controls is not adequate. In addition, the PAIT report contained it's own recommendations, including re-order and quantity levels, and the issue of extended fuel times. A meeting was held by management and was attended by Audit Services, to discuss the report. An action sheet was produced, and it was agreed that the PAIT recommendations will be picked up by the follow-up of audit recommendations in 2009/10.

#### **3.4 Risk Management**

Regular meetings have been held with the officer with responsibility for risk management, to discuss progress being made on the embedment of risk registers, including training, and the further development of risk registers. An audit of the risk management arrangements has been carried out. Issues raised include:

- A review of the terms of reference of the Insurance Risk Management Group so that it becomes a focal point for risk management activity,
- That risk management is further embedded by the development of departmental risk registers in accordance with the Department/Command Action Plan 2009, 'Embedding Risk Management'.

### 3.5 Comprehensive Area Assessment (CAA)/Key Lines of Enquiry (KLOE's)

Contribution has been made towards the Use of Resources assessment, including a meeting with staff from Performance Assessment and Improvement Team, and completion where applicable of KLOE 2.4 – managing risks and maintaining a sound system of internal control.

### 3.6 Governance – CIPFA/SOLACE framework

A self-assessment criteria schedule for governance as recommended by two independent organisations, CIPFA (Chartered Institute of Public Finance and Accountancy), and SOLACE (Society of Local Authority Chief Executives and Senior Managers) is in the process of being completed. Audit Services has contributed to this process of self-challenge at meetings with Management and Governance Services officers.

### 3.7 External Audit Evaluation Questionnaire

The Audit Committee's self-assessment exercise undertaken in December 2008 identified the need to possibly introduce performance indicators for external audit. Assistance has been provided in identifying a number of evaluation criteria, which the Audit Committee may wish to adopt. This will be presented in a separate report.

### 3.8 Audit Committee Member's Skills Set

The Audit Committee's self-assessment exercise undertaken in December 2008 identified the need to establish an Audit Committee Member's Skills Set, and recommended that an assessment be undertaken to identify and to rectify any skills gap. A Skills Audit form has now been drawn up for the Committee's consideration. This will be presented in a separate report.

#### 4 Customer Satisfaction

Customer satisfaction questionnaires are issued for all audits. From the responses returned, the average scores were as follows:

Question	Average Score
Usefulness of audit	4.7
Value of recommendations	4.3
Usefulness of initial discussions	5
Fulfilment of scope & objectives	5
Clarity of report	5
Accuracy of findings	4.3
Presentation of Report	5
Time span of audit	4.3
Timeliness of audit report	4
Consultation on findings/recommendations	5
Helpfulness of auditors	5
<b>Overall Satisfaction with Audit Services</b>	<b>4.7</b>

Scores range between 1 = Poor and 5 = very good. We have a target of achieving on average a score of **4 = good**.