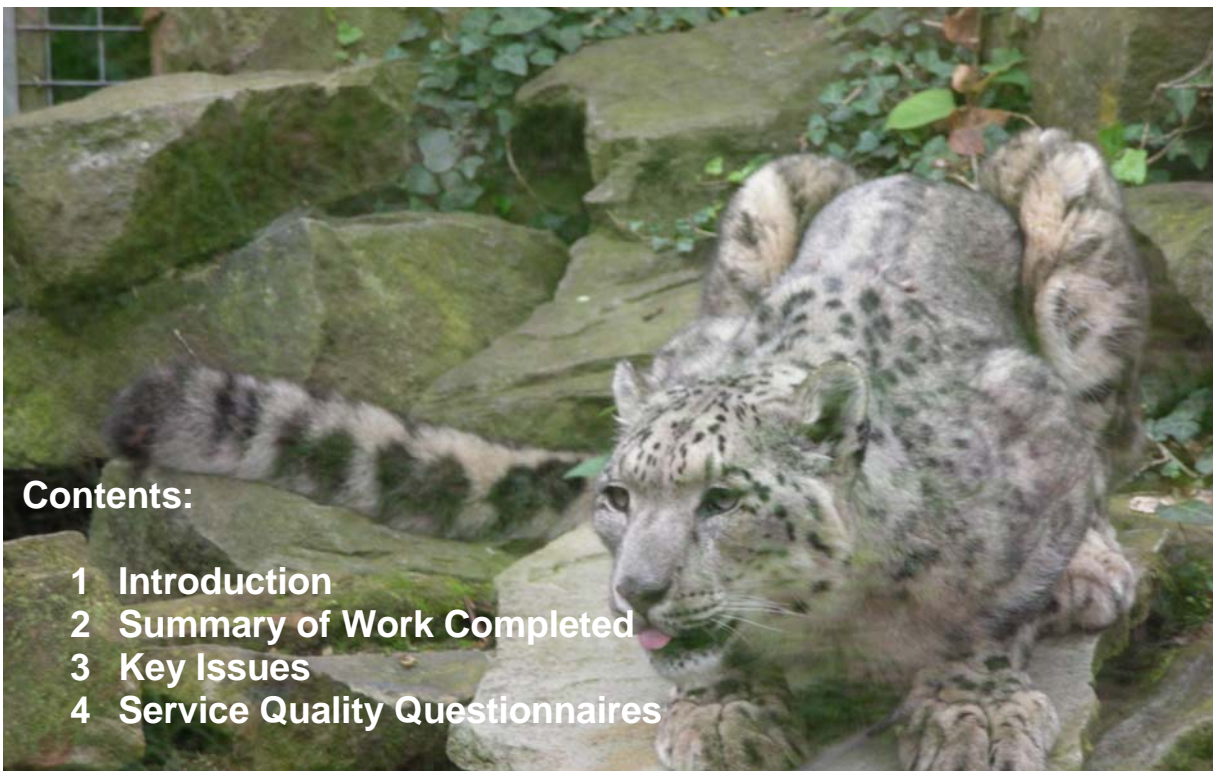


# Internal Audit Progress Report

To November 2009

Audit Committee - 11 January 2010

**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 2009/10 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 30<sup>th</sup> November 2009

<b>Key:</b>	KFS	Key Financial System

Auditable Area	ANA Rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Completed:</b>							
Environmental Audit	Medium	-	-	6	6	6	Satisfactory
Payroll	KFS	-	1	3	4	4	Substantial
Pensions Payroll	KFS	-	1	3	4	4	Substantial
Accounts Payable (High Level Controls)	KFS	-	-	2	2	2	Substantial
<b>Underway:</b>							
• Fixed Assets	KFS						
• Accounts Payable (Detailed Sample Checking)	KFS						
• Accounts Receivable	KFS						
• Asset Planning	Medium						
• Procurement	Medium						
• Workforce Planning	Medium						
• Follow-up of 2008/9 recommendations, including:	N/A						
• Management of Fuel,							
• Partnerships, and							
• Internet Usage							
• Liaison with External Audit	N/A						
• National Fraud Initiative	N/A						

### 3 Key Issues Arising for the period

#### 3.1 Pensions payroll Audit

A routine audit was carried out covering the key financial processes of the pensions payroll system. Improvements were recommended to the checks carried out to prevent possible over-payment to the beneficiaries of deceased retired employees:

- A certificate has to be completed by retired employees to confirm entitlement to continued payment. A check should be made of the signature on the certificate to records held, and the form then signed by the member of the pensions section carrying out the check.
- Where there is Power of Attorney (POA) for the retired employee, the certificate should be signed both by the person with POA and an attesting person. A new section should be added to the form so that the POA can record the address where the retired person is currently residing.

Also, to complete the audit trail, all notification forms sent by Human Resources should be signed by a Payroll officer to verify that the form has been seen and processed.

#### 3.2 Accounts Payable (High Level Controls) Audit

A planned audit was carried out to examine the key financial processes of the Accounts Payable section. A recommendation was made regarding regular production and examination of an exception report, e.g. to highlight where suppliers have had their payment limit raised. Also, it was recommended that the central database be developed to hold all suppliers with contract and tender agreements, to encourage use of negotiated agreements.

#### 3.3 Audit Committee Annual Report

Assistance was provided in the preparation of the Annual Report of the Chair, on the work of the Audit Committee for 2008/9.

#### 3.4 Response to external audit letter re Audit Committee responsibility for preventing and detecting fraud

The external auditor requested assistance from the Chair of the Audit Committee in completing their work on the 2008/09 accounts. The external auditor needs to gain an understanding of how the Audit Committee exercised oversight of management's processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them. Assistance was given in responding to the external auditor on these issues.

#### 3.5 External Audit Evaluation Questionnaire

The Audit Committee's self-assessment exercise undertaken in December 2008 identified the opportunity to introduce performance indicators for external audit. Assistance was provided in identifying a number of evaluation criteria, which the Audit Committee adopted. The

resulting questionnaire was completed by external audit. Two questions required a response by the committee, the responsibility for which was delegated to the Chair and Vice Chair. Assistance was given to enable completion.

### 3.6 Audit Committee Self-Assessment Exercise

The Audit Committee undertook its second self assessment exercise on 30 November 2009. The Audit Manager and Principal Auditor facilitated a workshop to consider the committee's effectiveness. The workshop, attended by most members of the committee, focussed upon the completion of a CIPFA self assessment checklist. The checklist was completed, and the actions identified from the previous exercise were reviewed. A further Action Sheet was drawn up from the assessment.

## 4 **Service Quality Questionnaires (SQQ's)**

The table below shows SQQ's received so far in 2009/10.

<b>Audit</b>	<b>Average Score</b>
Partnerships (08/09)	4.1
Governance (08/09)	5.0
Environmental Audit (09/10)	4.6
Payroll Audit (09/10)	4.4
Pensions Payroll	4.2
Accounts Payable (High Level Controls)	4.2
<b>Overall Satisfaction with Audit Services</b>	<b>4.4</b>

\*\* Awaited

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