

Internal Audit Progress Report

To February 2011

Audit and Performance Management Committee - 28 March 2011

WEST MIDLANDS FIRE SERVICE



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Sandwell Audit Services are pleased to be making a contribution to saving our rare and endangered species from extinction by sponsoring Sarah the Sumatran Tiger (pictured above) who is based at Dudley Zoo. As a result of habitat destruction and hunting, Sumatran Tigers are the third most endangered tiger in the world, with fewer than 500 Sumatrans in the wild. However, due to conservation breeding programmes the Sumatran Tigers future is considered secure.

1 Introduction

The purpose of this report is to bring the Audit and Performance Management Committee up to date with the progress made against the delivery of the 2010/11 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:

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

2 Summary of Work Completed as at February 2011

Key:	KFS	Key Financial System
		Previously Reported

Auditable Area	ANA Rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Completed:							
Goods Receipting System	High	-	7	8	15	15	Satisfactory
Accounts Receivable	KFS	-	-	2	2	2	Substantial
Sickness/Absence Management	Medium	-	1	-	1	1	Substantial
Partnerships	Medium	-	1	2	3	3	Substantial
Fire Stations – Management of Cash	Medium	-	4	7	11	11	Satisfactory
General & Pensions Payroll	KFS	-	1	2	3	3	Substantial
Treasury Management	KFS	-	-	3	3	3	Substantial
Accounts Payable	KFS	-	2	-	2	2	Satisfactory
Underway:							
• Budgetary Control	KFS						
• Fixed Assets	KFS						
• Governance	High						
• Risk Management	High						
• Follow up	Medium						
• Procurement	Medium						

3 Key Issues Arising for the Period

3.1 General and Pensions Payroll

A review was completed of the General and Pensions payroll functions. As Payroll is a key financial system, the control matrices (nature and type of tests, sample sizes etc.) used in our review include the requirements of the External Auditors, in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly.

Recommendations were made and agreed with management, including that as there was no process in place, a review system should be introduced for personnel who have retired on ill health benefits, to ensure that overpayments are not made.

3.2 Treasury Management

The Authority's Treasury Management service is provided by Sandwell MBC. Internal controls over the arrangements with the local authority were reviewed. Recommendations were made including amending the Terms of Reference of the Audit and Performance Management Committee to include scrutiny and review of Treasury Management arrangements.

3.3 Accounts Payable

Similar to the General and Pensions Payroll review, as Accounts Payable is a key financial system, the control matrices (nature and type of tests, sample sizes etc.) used in our review include the requirements of the External Auditors, in order that they can place reliance on our work and thereby reduce their own year-end testing accordingly.

The key issues arising from the audit were:

- Specific verification checks should be carried out where requests to change supplier bank accounts are received, as a number of public sector organisations have been affected by attempted fraud, which centred around fraudsters submitting requests to change bank details for payments.
- To enable effective monitoring of order commitments, consideration should be given to adding the i-Procurement module onto the current Sandwell Business System (SBS) systems in use.

4 Service Quality Questionnaires (SQQ's)

The table below shows SQQ's received so far in 2010/11.

Audit	Average Score
Governance (09/10)	4.0
Fixed Asset Accounting (09/10)	4.0
Goods Receipting System	4.2
General and Pensions Payroll	4.6
Accounts Receivable	4.4
Absence Management	4.4
Partnership Arrangements	4.0
Fire Stations – Management of cash	4.1
Overall Satisfaction with Audit Services	4.2

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