

Internal Audit Progress Report

To November 2010

Audit and Performance Management Committee - 10 January 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 November 2010

Key:	KFS	Key Financial System
		Previously Reported

Auditable Area	ANA Rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Completed:							
• Goods Receiving System	High	-	7	8	15	15	Satisfactory
• Accounts Receivable	KFS	-	-	2	2	2	Substantial
• Fire Stations – Management of Cash	Medium	-	4	7	11	11	Satisfactory
• Absence Management	Medium	-	1	-	1	1	Substantial
• Partnership Arrangements	Medium	-	1	2	3	3	Substantial
Underway:							
• Governance	High						
• Payroll	KFS						
• Treasury Management	KFS						
• Accounts Payable	KFS						
• Procurement	Medium						
• Recommendation Follow-up	Medium						

3 Key Issues Arising for the Period

3.1 Accounts Receivable

An audit of Accounts Receivable was undertaken. Debtor's invoices are raised by the WMFS Revenues Team, Sandwell MBC (SMBC) Finance receive and allocate payments, and reconciliations are undertaken by the WMFS Finance Section. Outstanding debt is pursued and monitored by SMBC Debt Recovery Team in accordance with an agreed Service Level Agreement (SLA).

As Accounts Receivable 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.

Key issues arising from the audit included:

- A recommendation that notes of actions taken on debtor's accounts are updated on the relevant computer screen, in all cases.
- Clearance of two longstanding receipt entries included in the reconciliation of Accounts Receivable to the General Ledger.

3.2 Fire Stations – Management of cash

Each fire station has a cash imprest which is used to purchase items of a minor and urgent nature. Imprests are of varying amounts, with £500 being the highest. Funds are managed by a Station Assistant at each location, who is responsible for keeping track of money available and submitting reimbursement claims to the Finance Section. Following reimbursement to the station's bank account, cash is then withdrawn by the Station Assistant to replenish the imprest.

A sample of five stations were visited. Key recommendations arising from the review were:

- The relevant Standing Order should be amended to state that financial documents should be retained for six years, in line with other Standing Orders.
- Most of the petty cash payments were for payment of standby duties. To comply with HMRC requirements, and to reduce the risk of running short of funds to manage the day to day functions of the station, WMFS should introduce the payment of standby duties via the payroll function.
- Finance training should be compulsory for all new Station Assistants before they commence their role in management of cash imprests at stations.

3.3 **Absence Management**

Responsibility for Absence Management rests with line management and procedures covering Absence Monitoring are included in Standing Order 5/1. Overall monitoring of Absence Management for the whole of WMFS is performed by the Human Resources section.

The review resulted in a key recommendation, that proposed plans of action should be implemented and monitored to try to reduce the number of days that staff are absent from work. Plans include:

- Attendance management briefing sessions,
- Monthly management reports,
- System produced automated flags to management so that they are immediately made aware of when their staff reach levels of absence that require action to be taken.

3.4 **Partnership Arrangements**

At the time of the audit, WMFS had approximately 20 partnerships in place with other organisations. The partnerships are a mix of corporate and local level agreements and are overseen by the Community and Fire Safety Section. The following recommendations were made:

- All partnership agreements should have, at least, formal terms of reference.
- WMFS should share its anti-fraud policy and processes with partnering organisations.
- The Partnership toolkit should be updated to include the risk impact assessment, in accordance with Standing Orders.

3.5 **Whistle-blowing**

We have been involved in investigating two complaints received under the Authority's whistle-blowing policy. Once the results of these have been finalised, they will be reported back to members.

3.6 **Audit and Performance Management Committee Self-Assessment Exercise**

The Audit and Performance Management Committee undertook its annual self assessment exercise on 29 November 2010. 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 in 2010/11, including SQQ's for reports issued in the fourth quarter of 2009/10.

Audit	Average Score
Governance (09/10)	4.0
Fixed Asset Accounting (09/10)	4.0
Goods Receipting System	4.2
Accounts Receivable	4.4
Fire Stations – Management of cash	4.1
Sickness/Absence Management	4.4
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**.