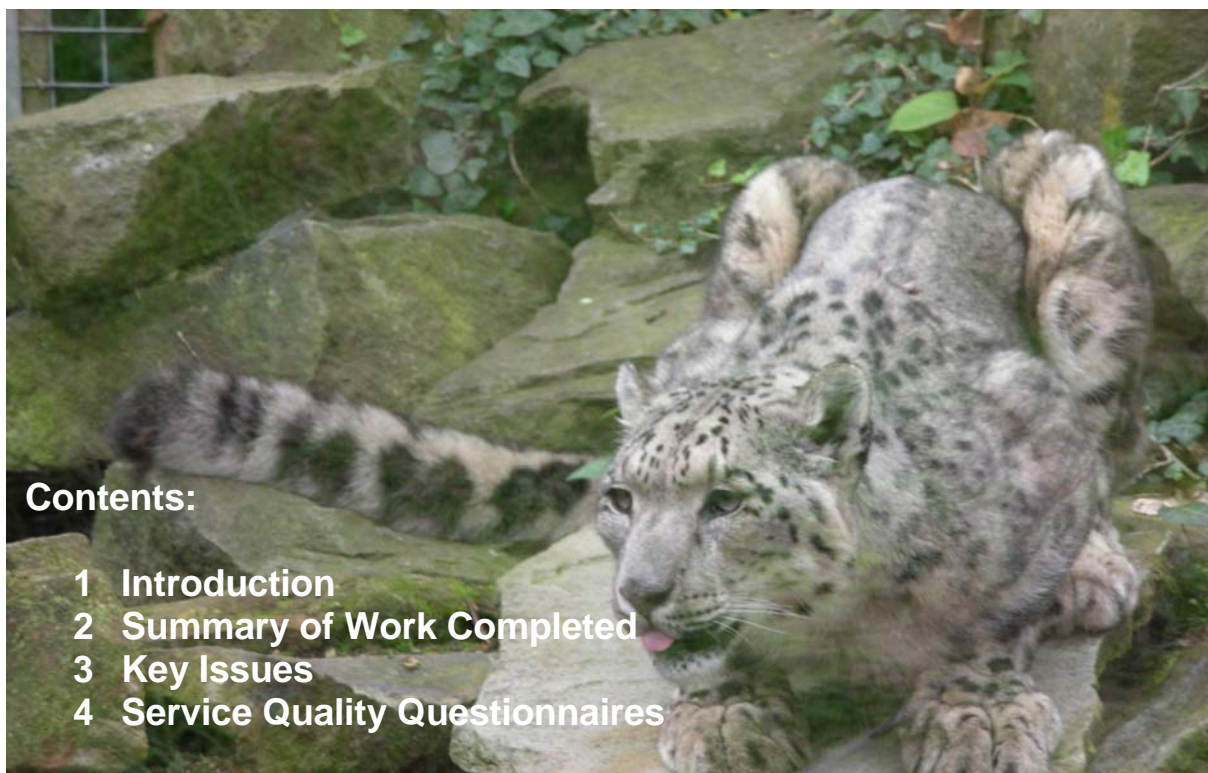


Internal Audit Progress Report

To February 2010

Audit Committee - 29 March 2010

WEST MIDLANDS FIRE SERVICE



Contents:

- 1 Introduction
- 2 Summary of Work Completed
- 3 Key Issues
- 4 Service Quality Questionnaires

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:

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 28th February 2010

Key:	KFS	Key Financial System
		Previously Reported

Auditable Area	ANA Rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Completed:							
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
Follow-up of 2008/9 recommendations: Internet Usage	N/A	-	-	1	1	1	N/A
Follow-up: <ul style="list-style-type: none"> 2008/9 audit recommendations: Management of Fuel, and Findings of Performance Assessment and Improvement Team 	N/A	-	-	2	2	2	Substantial
Petty Cash Investigation	N/A	2	7	1	10	10	N/A
Risk Management/Assurance Mapping	High	-	4	2	6	6	Satisfactory
Underway:							
<ul style="list-style-type: none"> Fixed Assets 	KFS						
<ul style="list-style-type: none"> Accounts Payable (Detailed Sample Checking) 	KFS						
<ul style="list-style-type: none"> Accounts Receivable 	KFS						
<ul style="list-style-type: none"> Budgetary Control 	KFS						

Auditable Area	ANA Rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
• Asset Planning	Medium						
• Procurement	Medium						
• Workforce Planning	Medium						
• Liaison with External Audit	N/A						
• National Fraud Initiative	N/A						

3 Key Issues Arising for the period

3.1 Internet Usage – follow up of recommendations

An audit was carried out to follow up on recommendations made in a report earlier in the year on internet usage. It was acknowledged in the follow up report that, given the original lack of controls in some key areas, in a short space of time the organisation had undertaken considerable improvement in implementing the agreed action plan of recommendations. This report was presented to the Audit Committee in January 2010.

3.2 Management of fuel – follow up of 2008/9 recommendations

A planned audit was carried out this year to follow up on recommendations made in an audit report produced in 2008/9 on the management of fuel at fire stations. The review also incorporated the findings in this area from work carried out by the former Performance and Improvement Team (PAIT). As not all of the recommendations had been fully implemented, two further recommendations were made regarding:

- Update of the relevant Standing Order to ensure that the correct re-order levels and amounts are stated, and
- Station staff being aware of Standing Order requirements regarding fuel dips.

3.3 Petty Cash Investigation

An investigation was carried out into a possible discrepancy of petty cash at two fire stations. From the work carried out it was concluded that serious system weaknesses relating to operation of the petty cash imprests and bank accounts, along with inadequate record retention had created the opportunity for irregularities to occur. Ten recommendations, including two fundamental, were made to strengthen controls over petty cash and financial records, including:

- The retention of imprest records for a minimum of three years, as a number of recent records were missing,
- Cash withdrawn from the stations bank accounts should be paid fully and promptly into the petty cash imprest at the station, as this was found not to be the case on numerous occasions,
- All petty cash documentation should be stored and filed properly,
- The imprest should be reimbursed in accordance with the relevant Standing Order to ensure that there are sufficient funds available,
- Checking of reimbursement claims and vouchers by an appropriate officer before submission, including verification of supporting evidence,
- Correct certification of petty cash vouchers,

- Suitability of payment of types of expense from petty cash,

3.4 Risk Management

Throughout the year, meetings have been held with the officer with responsibility for risk management, to discuss progress being made on the embedment of risk management. The overall conclusion from the review was that the risk management process, including assurance mapping, is continuing to be driven forward within the Authority, with an established process of review for the Corporate Risk Register and strategy.

Four significant and two merits attention recommendations were made, including, finalising and implementing the proposed organisational action/improvement plan. Also, three recommendations were made regarding member involvement in the risk management process:

- Provision of risk management training for all members,
- Identification of a member to ‘champion’ risk management,
- Presentation of the Corporate Risk Register to the Audit Committee on a more regular basis, so that it becomes further embedded in the work of the Committee.

4 **Service Quality Questionnaires (SQQ’s)**

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

Audit	Average Score
Partnerships (08/09)	4.1
Governance (08/09)	5.0
Environmental Audit	4.6
Payroll Audit	4.4
Pensions Payroll	4.2
Accounts Payable (High Level Controls)	4.2
Management of Fuel follow-up	5.0
Risk Management	4.5
Overall Satisfaction with Audit Services	4.5

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