

External Audit

Progress

Report and

Briefing

West Midlands Fire & Rescue Authority

Audit 2008/09

June 2009

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Status of our reports

The Engagement Letter issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by engagement leads are addressed to governors, members, non-executive directors, directors or officers and are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any governor, member, non-executive director, director or officer in their individual capacity; or
 - any third party.
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Audit update

Introduction

- 1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as the Council's external auditor. It also seeks to highlight key emerging issues and developments which may be of interest to members of the Committee.

Audit Coverage and Inputs

- 2 We continue to monitor the risks identified from our 2008/09 planning throughout the financial year. We also continue to receive and review your board agendas and minutes to update our understanding of your performance.
- 3 We have undertaken the 2009/10 planning and have submitted our proposed annual work programme to officers. This is on the Audit Committee agenda today.

Opinion Audit

- 4 We have previously agreed the Audit Plan for 2008/09 and presented this to the Audit Committee for adoption. We are currently on target to deliver most of the work to the agreed deadlines as set out in appendix 1.
- 5 Our work to support the opinion is progressing, the detail of which is included in our 'External Opinion Plan' reported to the Audit Committee. With exceptions as highlighted in the internal opinion plan, we have re-freshed our understanding of the key financial systems and walked-through transactions in year to confirm our understanding. This is a requirement of the International Standards on Auditing but also supports our understanding of the accounting processes which provides efficiencies when obtaining assurance on the 2008/09 financial statements.
- 6 In accordance with ISA 315 and 330 (and to provide an efficient audit) we assess the Authority's control environment and the controls operating over its material financial systems. Where the controls are in operation throughout the financial year we place reliance on the controls and are able to reduce post-statement substantive testing. Where we are unable to rely on controls operating effectively throughout the year, we are required to carry out a more substantive approach to gaining assurance which usually results in additional sample testing, the samples size being determined by the value of the system.
- 7 We have completed our detailed work on internal control systems. We draw the following points to your attention:
 - At systems testing we were unable to confirm if there were controls in place to check the accuracy of the brought forward balances.
 - We identified approvals of creditor payments in excess of delegated limits of £50k taking place. This situation occurred when a senior officer was not available to authorise a payment due to leave or other off-site commitments. Retrospective

approval of these payments was made however this represents a significant fraud risk.

- Our testing last year identified significant weaknesses in controls over journals. Internal Audit have reviewed controls put in place this year and have identified the following weaknesses:

- Journals are not (sequentially) numbered.

In addition, our work identified:

- Journals below £10k are not checked by a senior officer prior to processing.
- Any financial management staff can input a journal, with no system restrictions on access or value of journal.

- 8 These matters are reported in our 'External Opinion Plan' report which is included on today's agenda.

Use of Resources

- 9 Use of resources is an Audit Commission assessment of how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people.
- 10 From 2008/2009, the assessment is part of the new comprehensive area assessment (CAA) framework. The use of resources assessment is more demanding than previous assessments. The KLOE are more broadly based than previously and embrace wider resource issues such as workforce planning and the use of natural resources. The KLOE focus more on value for money achievements, outputs and outcomes rather than on processes. The KLOE are also more strategic and less detailed.
- 11 Auditors are producing a judgement for each of the following three themes:
- managing finances - focusing on sound and strategic financial management;
 - governing the business - focusing on strategic commissioning and good governance; and
 - managing resources - focusing on the effective management of natural resources, assets and people.
- 12 Our work on the Use of Resources assessment including Data Quality and Managing Performance is currently in progress. We have reviewed the Authority's self assessment and supported this interviews with key officers and requests for further evidence to support proposed conclusions
- 13 We plan to feedback our judgements, findings and conclusions in early July with final scores being reported in August.

Other matters of interest

- 14 There are no specific matters that we wish to bring to your attention at this point.
- 15 We will continue to include relevant information as it arises during the course of the audit.

Working with Internal Audit

- 16 We have liaised and continue to meet with Internal Audit as part of our planning process to ensure that any risks identified from their work are considered prior to the delivery of our opinion. We continue to liaise with them to identify key emerging risks and to review their files.

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Appendix 1 – Audit Progress

2008/09 Programme

Programme	Progress	Main conclusions/findings	Deadline for draft report	Audit Committee meeting
Audit Plan				
Audit Plan 2008/09.	Completed	The Audit Plan was agreed by the Audit Committee.	June 2008	November 2008
Opinion				
Interim work on arrangements to support the opinion.	In progress	Work is underway to identify the most efficient way of gaining assurance for the opinion.	June 2009	July 2009
Audit of financial statements	Not started		September 2009	September 2009
Report to those charged with governance (ISA 260).	Not started		September 2009	September 2009
Organisational assessment - Use of Resources				
Assessment of arrangements - managing finances & resources and governing the business	Started	Self assessment received. Assessment underway.	April 2009	September 2009
Data quality	Not started	spot check on Pls	June 2009	September 2009

Programme	Progress	Main conclusions/findings	Deadline for draft report	Audit Committee meeting
Organisational assessment - managing performance				
Managing Performance	Started	Preliminary work underway to assess evidence already available	September 2009	September 2009
Risk based performance work 2008/09				
None identified in plan				
Annual Audit Letter				
Annual Audit Letter 2008/09.	Not started		November 2009	November 2009