

**NORTH WALES FIRE AND RESCUE AUTHORITY**

**DATE**            **20 JUNE 2005**

**REPORT OF**    **TREASURER TO THE FIRE AND RESCUE  
AUTHORITY**

**SUBJECT**        **SUMMARY OF INTERNAL AUDIT ACTIVITY FOR  
2004/05 AND DRAFT INTERNAL AUDIT PLAN FOR  
2005/06**

**1**        **PURPOSE OF REPORT**

- 1.1    To receive a summary of Internal Audit work for 2004/05
- 1.2    To approve the Draft Internal Audit Plan for 2005/06

**2**        **INTRODUCTION**

- 2.1    Under the terms of the Accounts and Audit Regulations 2005, made under the Local Government Act 2000 and the Public Audit (Wales) Act 2004 (similar requirements existed under the Accounts and Audit Regulations 1996 prior to 1 April 2005) Fire Authorities have a statutory responsibility to maintain “an adequate and effective system of internal audit.”
- 2.2    The Internal Audit function is carried out on behalf of the Fire and Rescue Authority by Conwy County Borough Council and is an independent appraisal function for the review of the activities of the Fire and Rescue Authority as a service to all levels of management.
- 2.3    The North Wales Fire Authority Financial Regulations state that a report shall be submitted under the auspices of the NWFRA as regards the audit plan for the coming financial year and a report of performance against the original plan for the previous financial year.
- 2.4    Responsibility for determining the content of the audit plan lies with the Chief Fire Officer and the internal audit providers. The plan should be prepared in consultation with the External Auditor.
- 2.5    The Wales Audit Office is currently the Fire and Rescue Authority’s external auditor.
- 2.6    Internal audit work can be broadly divided into four categories: -
  - (a) **Regularity Audits**, which are designed to ensure that:-
    - All income due to the NWFRA is properly collected, receipted, safeguarded, banked and recorded.

- All payments made are correctly authorised, within budget and in accordance with NWFA Standing Orders and Financial Regulations.
  - All staff have been properly appointed and are paid in accordance with the terms and conditions of their appointment.
  - Value for money is obtained for goods and services purchased.
  - Property and other assets are properly recorded and safeguarded.
- (b) **Systems Audits** are designed to ensure that all systems and procedures in operation include adequate controls within them to prevent fraud or other irregularities, e.g. at least two people should be involved in all procedures.
- (c) **Information and Communications Technology Audit.** This is used to test the integrity of computerised systems in operation and also, by the interrogation of computer systems to help detect fraud and irregularities.
- (d) **Contract Audit** which includes the financial appraisal of prospective contractors, an examination of controls in operation to ensure compliance with Contract Standing Orders and an examination of a sample of current and completed contracts including verification of final accounts.

2.7 A report is prepared following each internal audit and will:-

- State the purpose, scope, findings and conclusions of the audit.
- Make recommendations to address any weaknesses identified.
- Include an action plan to monitor and assist in the implementation of the recommendations.
- Provide for a follow up to be carried out within a reasonable period of issuing the final report.

### 3. REVIEW OF 2004/05 ACTIVITY

3.1 During 2004/05, 48 audit days were provided as opposed to 45 in the strategic audit plan. Two reports were prepared during the year covering :-

- **East Division Headquarters and Retained Stations** – purchasing procedures, income, fuel stocks and recording, vehicle records, fire certificate control and income, inventories and petty cash for Divisional Headquarters and selected stations.
- **Payroll System** – ascertaining the procedures established by management in terms of payroll starters and leavers and all payroll variations such as overtime, temporary promotions, sick pay, maternity benefit, etc., with a view to determining and evaluating the adequacy of internal controls incorporated into these areas and identifying any control weaknesses and areas of potential risk within the system.

- 3.2 The audit opinions expressed in the reports indicated that the overall standard of financial and other records examined was very good, with minor discrepancies at retained level.
- 3.3 To address the weaknesses identified during the audit reviews four recommendations have been made.
- 3.4 Action plans setting out the agreed response to the audit recommendations were issued with the draft reports and these have been returned from Fire and Rescue Service management completed with the action to be taken to ensure implementation of the recommendations.
- 3.5 The summary of audit activity shows the planned allocation of audit resources in terms of man days over departments and services and compares actual work done for 2004/05 with the plan.

#### **4 AUDIT OPINION**

- 4.1 Based upon the work undertaken during 2004/05, the Internal Audit opinion of the mechanisms put in place by management to exercise Internal Financial Control is that they are very good.

#### **5 DRAFT AUDIT PLAN FOR 2005/06**

- 5.1 The purpose of the annual audit plan is to:-
- establish audit priorities in conjunction with Fire and Rescue Service Management
  - determine the resources needed to carry out the required audit duties
  - formalise audit tasks
  - review the audit work of the previous year
- 5.2 The audit plan is designed to act as a guide only. Changes in circumstances or other unforeseen events may result in variations from the plan. The plan for 2005/06 has been prepared following consultation with Fire and Rescue Service Management.
- 5.3 The strategic audit plan, which incorporates a risk analysis, is designed to cover all aspects of NWFRA activity within that period. The plan also includes time to follow up recommendations from previous audits.

#### **6 RECOMMENDATION**

- 6.1 That the report be received.

The summary of Internal Audit activity for 2004/05 is as follows:-

	<b>Department/Service</b>	<b>Planned Days 2004/05</b>	<b>Actual Days 2004/05</b>
1	Specific Fire & Rescue Service requests	7	7
2	Fire & Rescue Service planning and reporting	5	7
3	Follow-ups	2	2
4	Retained Firefighters pay – Flintshire and Wrexham areas	6	7
5	Stores on-line ordering	3	-
6	National Fraud Initiative	2	4
7	Payroll Systems - wholetime	20	21
	<b>TOTAL DAYS</b>	<b>45</b>	<b>48</b>

The Internal Audit Plan for 2005/2006 is as follows:-

	<b>Department/Service</b>	<b>Planned Days 2005/06</b>	<b>Main Areas to be Covered</b>
1	Specific Fire and Rescue Service requests	2	As required
2	Fire & Rescue Service planning and reporting	4	Annual reports and plans on audit activity
3	Follow-ups	2	Previous audit recommendations
4	Retained Firefighters pay – Western Areas :- Ynys Môn, and Gwynedd	10	Review of procedures recording hours worked, attendances, drill fees, training, vehicle records and inventories, etc.
5	National Fraud Initiative	3	
6	Fleet Management	7	Review of systems and procedures
7	Members' Allowances Scheme	4	Review of allowances
8	Fire and Rescue Service Headquarters	15	Income & expenditure – review of procedures and controls.
9	Contingency	3	
	<b>TOTAL DAYS</b>	<b>50</b>	