



AGENDA ITEM: 13

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

21st May 2007

SUMMARY OF INTERNAL AUDIT ACTIVITY 2006/07 AND NEEDS ASSESSMENT AND DRAFT AUDIT PLAN FOR 2007/08

**Report by Mike Halstead,
Head of Audit and Procurement Services**

Purpose of Report

- 1.** To receive a summary of Internal Audit work for 2006/07.
- 2.** To approve the Internal Audit Needs Assessment and Draft Internal Audit Plan for 2007/08.

Information

- 3.** Under the terms of The Accounts and Audit (Wales) Regulations 2005, made under the Local Government Act 2000 and the Public Audit (Wales) Act 2004, Fire Authorities have a statutory responsibility to maintain "an adequate and effective system of internal audit."
- 4.** The Internal Audit function is carried out on behalf of the Fire 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.



Information *(continued)*

5. The North Wales Fire and Rescue Authority (NWF&RA) Financial Regulations state that a report shall be submitted under the auspices of the NWF&RA as regards the audit plan for the coming financial year and a report of performance against the original plan for the previous financial year.
6. Responsibility for drawing up 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.
7. The Wales Audit Office is currently the Fire and Rescue Authority's external auditor.
8. Internal audit work can be broadly divided into four categories:
 - (a) **Regularity Audits**, which are designed to ensure that:-
 - All income due to the NWF&RA is properly collected, receipted, safeguarded, banked and recorded.
 - All payments made are correctly authorised, within budget and in accordance with NWF&RA 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.



Information *(continued)*

- (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.

9. 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.



REVIEW OF 2006/07 ACTIVITY

- 10.** During 2006/07, 50 audit days were provided for as in the strategic audit plan. Three reports were prepared during the year covering :-
- **Retained Stations – Conwy and Denbighshire** – to review, test and report on the adequacy and effectiveness of the internal controls in operation, in respect of payments to retained firefighters, authorisation of purchases, maintenance of station inventories and completion of vehicle fuel, maintenance and usage log books.
 - **Fire and Rescue Service Headquarters** – procedures for the generation, receipt, recording and banking of income, the procedures for the ordering and payment for goods and services, budgetary control and completion and control of inventories.
 - **Information Technology Review** – review of the security arrangements in respect of Internet and e-mail facilities.
- 11.** A schedule giving an audit opinion of the adequacy and effectiveness of internal control processes in respect of all the audit assignments undertaken during 2006/07 is attached at Appendix A. The outcome of each audit and the evaluation of the adequacy of the internal control environment is based on the number of recommendations and their risk rating. All audits during the year were assessed as providing positive levels of assurance that internal controls are operating effectively and risks are appropriately managed.
- 12.** To address the weaknesses identified during the audit reviews 19 recommendations have been made.



REVIEW OF 2006/07 ACTIVITY *(continued)*

- 13.** Action plans setting out the agreed response to the audit recommendations were issued with the Retained Stations and Fire and Rescue Authority Headquarters reports and these have been returned from Fire and Rescue Authority management completed with the action to be taken to ensure implementation of the recommendations. In respect of the Information Technology – Review of Internet and E Mail Controls audit, the Final Report has not been issued as at the date of the Executive Panel.

- 14.** A summary of audit activity is attached at Appendix B and shows the planned allocation of audit resources in terms of man days over departments and services and compares actual work done for 2006/07 with the plan. It is evident from the Summary of Internal Audit Activity for 2006/07 that the review of Payroll Systems – Wholetime planned for 2006/07 was deferred to 2007/08 at the request of NWFRA management. A payroll audit of starters, leavers and amendments to pay is scheduled for May 2007 at the request of WAO. The audit testing will be based on 2006/07 and will allow WAO to place reliance on our work in this area for 2006/07.

AUDIT OPINION

- 15.** Based upon the work undertaken during 2006/07, the Internal Audit opinion of the systems of internal control established by management to effectively manage identified risks is good.



NEEDS ASSESSMENT AND DRAFT AUDIT PLAN FOR 2007/08

- 16.** The Draft Annual Plan for 2007/08 is attached at Appendix C. The purpose of the annual audit plan is to:-
- establish audit priorities in conjunction with Fire and Rescue Authority Management based upon a risk based approach of determining the audit needs of the Authority at the start of each year
 - determine the resources needed to carry out the required audit duties
 - formalise audit tasks
 - review the audit work of the previous year
- 17.** 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 2007/08 has been prepared following consultation with Fire and Rescue Authority Management. The plan also includes time to follow up recommendations from previous audits.
- 18.** The Internal Audit Needs Assessment is attached at Appendix D. The Assessment, which incorporates a risk analysis, is designed to cover all auditable aspects of NWF&RA activity and will be utilised, in consultation with management, to facilitate the risk-based approach to determining the audit needs of the Authority at the start of each year.

Recommendations

- 19.** That the Summary of Internal Audit activity 2006/07 be noted and the Needs Assessment and Draft Internal Audit Plan for 2007/08 be approved.

