



## **AGENDA ITEM: 6**

### **NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL**

**28<sup>th</sup> July 2008**

#### **SUMMARY OF INTERNAL AUDIT ACTIVITY 2007/08 AND NEEDS ASSESSMENT AND DRAFT AUDIT PLAN FOR 2008/09**

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

#### **Purpose of Report**

- 1.** To receive a summary of Internal Audit work for 2007/08.
- 2.** To approve the Internal Audit Needs Assessment and Draft Internal Audit Plan for 2008/09.

#### **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 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.
7. KPMG 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 2007/08 ACTIVITY

- 10.** During 2007/08, 53 audit days were provided as indicated in the strategic audit plan. Four reports were prepared during the year covering :-
- **Payroll – Starters & Leavers** – to review, test and report on the adequacy and effectiveness of the internal controls in operation, in respect of the Human Resources (HR) and payroll starter and leaver procedures.
  - **Fleet Management - Fuel** – review the control and issue of fuel cards, use of fuel consumption data, payment of fuel invoices and budgetary control.
  - **Fire Station and Appliance Inventories** – review of the Fire Station and Appliance inventory records and equipment security.
  - **National Fraud Initiative** – a comprehensive and thorough 'data matching' exercise organised by the Audit Commission in partnership with the Wales Audit Office (WAO). All matches were investigated by the Internal Audit Section and the outcomes reported. The Internal Audit Section on behalf of NWF&RS has also assisted with providing information for successful investigations with other Authorities over the last year.
- 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 2007/08 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.



## **REVIEW OF 2007/08 ACTIVITY** *(continued)*

- 12.** To address the weaknesses identified during the audit reviews 30 recommendations have been made.
  
- 13.** Action plans setting out the agreed response to the audit recommendations were issued with the Payroll Starters and Leavers, Fleet Management – Fuel and Fire Station and Appliance Inventories 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. There were no recommendations made in the National Fraud Initiative report and in respect of the Information Technology – Network Management audit, the review has been postponed until May 2008 at management's request.
  
- 14.** CIPFA's Code of Practice for Internal Audit in Local Government states "Management has responsibility for ensuring that agreed actions are implemented. Internal Audit should obtain assurances that actions have been implemented". A formal follow up process is in operation within the Section to confirm that the recommendations made in Internal Audit reports have been implemented by management within agreed timescales. A follow up audit will normally take place six months after the issue of the final report. A schedule of the follow up audits conducted during the period 1 April 2007 to 31 March 2008 is attached at Appendix B. It demonstrates the number of recommendations accepted and subsequently implemented by management in each area and reveals changes that impact on the original audit opinion. Further follow up work will be performed in those areas where a significant number of recommendations remain outstanding.



## **REVIEW OF 2007/08 ACTIVITY** *(continued)*

- 15.** A summary of audit activity is attached at Appendix C and shows the planned allocation of audit resources in terms of man days over departments and services and compares actual work done for 2007/08 with the plan. It is evident from the Summary of Internal Audit Activity for 2007/08 that the review of Network Management planned for 2007/08 was deferred to 2008/09 at the request of NWFRA management and is scheduled for May 2008. The Recruitment & Selection audit planned for 2007/08 is identified as slippage. However, the Starters and Leavers audit also focused on HR recruitment procedures in respect of letters of appointment, contracts of employment, birth certificate identity checks, Occupational Health and Safety Unit Certificates of Fitness, obtaining of adequate references and the receipt of satisfactory results to investigations undertaken by the Criminal Record Bureau.

### **AUDIT OPINION**

- 16.** Based upon the work undertaken during 2007/08, the Internal Audit opinion of the systems of internal control established by management to effectively manage identified risks is satisfactory.



## **NEEDS ASSESSMENT AND DRAFT AUDIT PLAN FOR 2008/09**

- 17.** The Draft Annual Plan for 2008/09 is attached at Appendix D. 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
- 18.** 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 2008/09 has been prepared following consultation with Fire and Rescue Authority Management. The plan also includes time to follow up recommendations from previous audits.
- 19.** The Internal Audit Needs Assessment is attached at Appendix E. 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**

- 20.** That the Summary of Internal Audit activity 2007/08 be noted and the Needs Assessment and Draft Internal Audit Plan for 2008/09 be approved.

