

NORTH WALES FIRE AUTHORITY

DATE: 19 JULY 2004

REPORT OF: THE TREASURER TO THE FIRE AUTHORITY

**SUBJECT SUMMARY OF INTERNAL AUDIT ACTIVITY FOR 2003/04
AND DRAFT INTERNAL AUDIT PLAN FOR 2004/05**

1 PURPOSE OF REPORT

- 1.1 To receive a summary of Internal Audit work for 2003/04
- 1.2 To approve the Draft Internal Audit Plan for 2004/05

2 INTRODUCTION

- 2.1 Under the terms of the Accounts and Audit Regulations 1996, made under the Local Government Finance Act 1982, 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 Authority by Conwy County Borough Council and is an independent appraisal function for the review of the activities of the Fire Authority as a service to all levels of management.
- 2.3 The North Wales Fire Authority’s (NWFA) Financial Regulations state that a report shall be submitted under the auspices of the NWFA 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 Audit Commission in Wales is currently the Fire 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 NWFA 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 2003/04 ACTIVITY

3.1 During 2003/04, 50 audit days were provided in accordance with the strategic audit plan of 50 days. Three reports were prepared during the year covering :-

- **Central 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.
- **Central Stores** – review of the procedures for the ordering, receipt, issue, valuation and security of stock held at the stores.
- **Information Technology Review** – review of the security arrangements in respect of Internet and E-mail facilities.

In addition, a strategic plan was prepared of the regularity and systems audit work to be performed by the Audit Section for the period 1st April 2004 to the 31st March 2008. The frequency of each audit has been determined by risk assessment, with the high risk areas requiring an annual audit input.

- 3.2 The audit opinions expressed in the reports indicated several improvements, with good internal controls exercised in most areas. However, weaknesses were reported in the areas of stock valuation, and more serious weaknesses identified in the security over the provision and availability of internet facilities to staff. Several of these areas have already been addressed and action on others is in progress.
- 3.3 To address the weaknesses identified during the audit reviews 19 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 2003/04 with the plan.

4 AUDIT OPINION

- 4.1 Based upon the work undertaken during 2003/04, the Internal Audit opinion of the mechanisms put in place by management to exercise Internal Financial Control is that they are adequate for their purpose.

5 DRAFT AUDIT PLAN FOR 2004/05

- 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 2004/05 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 NWF&RS 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 2003/04 is as follows:-

	Department/Service	Planned Days 2003/04	Actual Days 2003/04
1	HEADQUARTERS inc. planning, reporting, follow ups and specific Fire Service requests)	20	10
2	Central Division	5	8
3	Retained Firefighters pay – Central Division	5	8
4	Retained Firefighters – electronic FIN 8s	7	0
5	Central Stores	5	9
6	I T – Internet & e-mail review	8	3
7	Assessment of I T systems		4
8	National Fraud Initiative		3
9	4 year strategic plan – risk based		10
	TOTAL DAYS	50	55

The Internal Audit Plan for 2004/2005 is as follows:-

	Department/Service	Planned Days 2004/05	Main Areas to be Covered
1	Specific Fire and Rescue Service requests	7	As required
2	Fire & Rescue Service planning and reporting	5	Annual reports and plans on audit activity
3	Follow-ups	2	Previous audit recommendations
4	Retained Firefighters pay – Flintshire and Wrexham areas	6	Review of procedures recording hours worked, attendances, drill fees, training, vehicle records and inventories, etc.
5	National Fraud Initiative	2	
6	Payroll Systems - wholetime	20	Systems review of the pay system
7	Stores on-line ordering	3	Review of controls over the stores on-line ordering procedures, etc.
	TOTAL DAYS	45	