

AUDIT SERVICES
SHROPSHIRE FIRE AND RESCUE SERVICE
2009/10 SUMMARY AUDIT REPORT

1. EXECUTIVE SUMMARY

Overview

Shropshire Fire & Rescue Service became a Combined Fire Authority in April 1998 following Local Government Reorganisation in Shropshire and as such was required to establish an internal audit function under Section 151 of the Local Government Act 1972.

Overall Audit Opinion

On the basis of the responses and assurances given by Shropshire Fire & Rescue Service's management to last year's audit recommendations and the audit findings and initial management responses to audit work during the year, a high level of assurance can be given that the overall control arrangements of Shropshire Fire and Rescue Service are considered satisfactory in the areas examined.

2. INTRODUCTION

Background

This year was the second year of a four year strategic audit plan determined using a risk based audit needs assessment model and agreed by the Head of Audit Services and the Authority's Treasurer in consultation with the Audit Commission. The audit coverage over the four year strategic plan provides assurance to the Authority's management regarding the overall control environment.

Scope

The areas to be examined each year are identified in the 2008/09 to 2012/13 strategic audit plan, which is approved by the Audit Committee. In a report to the Audit Committee in February 2010 the Treasurer advised that, due to commitments of key staff in relation to the headquarters capital project, three audits scheduled for 2009/10 were postponed to the following year: these were the Purchasing and Procurement; Asset Management; and Vehicle Fleet audits. This should not result in a significant increase in risk, but these audits should be completed, as rescheduled in 2010/11. To compensate for this, the audits of Insurance and Banking Arrangements were brought forward from 2010/11. As a result, the following audits were performed in 2009/10:

- Budget Preparation and Control;
- Payroll and Personnel;
- Income Collection and Sundry Debtors;
- Risk Management;
- Insurance;
- Banking Arrangements and Treasury Management;
- Firefighters Overtime;
- Corporate Governance and review of the Annual Governance Statement; and
- Follow up of previous recommendations.

The findings from these audit areas are also summarised in Section 3.

3. DETAILED FINDINGS AND RECOMMENDATIONS

Budget Preparation and Control

Examination of the process for the preparation and control of the budget confirmed that there is a robust procedure in place which is operated efficiently and effectively.

Payroll and Personnel

Payroll and personnel procedures are reviewed annually. Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there was evidence of non compliance with some of the controls. It was disappointing to note that, of the sixteen previous recommendations made, eight still need to be satisfactorily implemented. The review gave rise to an additional four recommendations to address weaknesses relating to the recording and payment of overtime; authorisation and checking of leased car travel claims; and the performance of an annual establishment audit.

Income Collection and Sundry Debtors

Review of this area concluded that there is generally a sound system of control. Instances of non-compliance noted related to not charging Special Service work, untimely pursuing of debtors and a lack of credit note procedures. Recommendations are made within the report to address these weaknesses.

Risk Management

This review identified that, since the previous audit in 2007/08, Risk Management processes have continued to become embedded into the authority. A comprehensive Risk Management Strategy is in place, roles and responsibilities have been determined and a system for recording risks and their control measures adopted. The Protocol has been expanded to provide a comprehensive source of guidance on Risk Management. Training and information is available to staff and members. It was particularly pleasing to report that, of the eight previous recommendations, only one remained to be satisfactorily addressed, but was been downgraded in terms of its significance. Two additional minor recommendations arose from this audit, which aim to improve the existing robust processes that are in place.

Insurance

Review of procedures confirmed that there is a robust procedure in place for the notification of claims to the insurers, monitoring the settlement of claims and reviewing the delivery of the service. It was pleasing to note the low level of claims activity, which demonstrates good risk management. Files and records were found to be maintained to a high standard, and the report has resulted in only two recommendations which relate to the reinstatement the Vehicle Insurance Claim Register, and a best practice recommendation relating to reports received from the Insurers.

Banking Arrangements and Treasury Management (please note that this report is currently issued as a draft version)

Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non compliance with some of the controls. Exceptions that were noted relate to the following:- the management and control of charge cards; purchasing limits on charge cards; officers indemnity forms not always reflecting their current charge card credit limit set with NatWest. Testing identified credit and transaction limits are often exceeded and as charge card balances are being paid via direct debit to NatWest before claim forms are reviewed, transactions are not being approved as appropriate prior to payment.

When a charge card is returned evidence is not retained to prove that the card was returned to the service or cancelled with the issuer. Recommendations are made in relation to these weaknesses.

Firefighters Overtime

Each year the audit plan includes an allocation of time for performing work on fraud and corruption. Following consultation with the Treasurer and Principal Accountant, a decision was taken to focus on the controls pertaining to the system of recording Firefighters overtime. This area was selected for examination following the identification of concerns relating to this process in the 2008/09 Payroll audit. Since these recommendations were made, the process has changed. The review therefore assessed the operation of the system and the satisfactory operation of controls. The review concluded that the process for the maintenance of records in respect of Firefighters overtime was good, which addressed the previous recommendation made in the 2008/09 Payroll audit. Exceptions that were noted relate to the need to check calculations for accuracy; the reinstatement of guidance on the calculation of Bank Holiday overtime on the reverse of the FB14; and ensuring that all entries made on the forms for overtime accrued are verified by a senior officer. A further Best Practice recommendation was made in respect of filing.

Corporate Governance and review of the Annual Governance Statement

From the audit work undertaken and the explanations provided, it is the Auditor's opinion that Shropshire Fire and Rescue Service has full compliance with their Code of Corporate Governance. No recommendations were made as a result of this review.

Follow Up of Previous Recommendations

For audits that are performed annually, previous recommendations are included within each specific review. For other audits that are performed on a less frequent basis, recommendations are captured into a specific allocation for Follow Up work which is included in the Audit Plan each year. In previous years, the days allocated to Recommendation Follow Up has concentrated on the review of action taken by responsible officers in implementing previous audit recommendations. This approach is no longer practical as the number of audit days allocated is not sufficient to review the number of recommendations. This is not necessarily due to an increase in the volume of new recommendations, but in that there are instances where officers are failing to address recommendations in a satisfactory manner, resulting in previous recommendations being iterated from year to year.

Since September 2008, the Audit Committee has received regular reports from the Risk Management Group (RMG) on progress made in the implementation of audit recommendations. During the year, the Auditor has worked with the RMG to refine the process to our mutual benefit. Two recommendations arose from the 2009/10 review relating to how Internal Audit time allocated for 2010/11 can best be used to endorse and verify action taken by management, as collated by RMG; and to establish a responsible forum to escalate management action where necessary.

The Auditors would like to take this opportunity to thank those staff at Shropshire Fire & Rescue Service for their cooperation and assistance during the course of the audits.

Ceri Pilawski
Head of Audit Services
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