

AUDIT SERVICES

SHROPSHIRE FIRE AND RESCUE SERVICE

2008/09 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 the current year's audit work, 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 first 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

A review of controls in place in the following main areas, as shown in the 2008/09 to 2012/13 strategic audit plan, has been carried out:

- Data Quality;
- Payroll;
- Health and Safety;
- Computer Services;
- Capital Budgeting and Accounting;
- Firefighters Pension Account;
- Risk Management and Business Continuity;
- Retained Firefighters, and
- Corporate Governance and review of the Annual Governance Statement.

The findings from these 2008/09 audit areas are also summarised in Section 3.

Where an audit is performed each year, the recommendations from the previous year are reviewed as part of that exercise. In 2008/09 this included Payroll, Risk Management and Corporate Governance. Recommendations made in reports that are not performed annually are followed up late in the following year to allow time for management to satisfactorily implement the recommendations. The follow up actions on previous recommendations (not included in annual audits) were determined through discussions with the relevant staff and some limited testing. The recommendations followed up related to the following areas:

- Recommendations outstanding from the previous Recommendation Follow Up (Including Banking Arrangements, Creditors, Debtors, Fraud & Corruption, Personnel and Stores),
- FSS and Statistics,
- Miscellaneous,
- Procurement, and
- Vehicle Fleet.

The results of these follow ups are also summarised in **Section 4 and Appendix A**.

3. DETAILED FINDINGS AND RECOMMENDATIONS

2008/09 Audit Findings

Data Quality

This consultancy exercise focussed on the level of compliance toward the standards for Data Quality which were examined by the Audit Commission later in the year. Review confirmed that compliance was largely achieved. A number of Action Points were identified, the implementation of which should result in substantial compliance with Audit Commission guidance.

Payroll

Generally, satisfactory controls exist over the payroll procedures and a 'reasonable' level of assurance was given from the audit work performed. It was, however, disappointing to note that, of the sixteen previous recommendations made in 2007/08, eight still needed to be satisfactorily implemented. This 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. Additional testing performed at the year end in accordance with Audit Commission requirements resulted in four additional recommendations in respect of overtime forms which should be signed by the claimant and which should not include claims for hours in the future, not yet worked; the need to ensure that signed contracts of employment are returned by new starters; and the need to check starter and leaver details to monthly payroll reports.

Health and Safety

The scope of this audit related to compliance toward the OHSAS standard, which was concluded as progressing well. Some recommendations were made to further include controls, which included revisions to relevant Brigade Orders; the further development of a clear link between health and safety performance, risk assessments and objectives; and the consideration of the development of local PI's.

Computer Services

This 20 day audit was added to the 2008/09 audit plan to provide assurance on the business critical areas of general IT controls in place to protect the IT infrastructure and ensure that IT is managed in a controlled manner. Suggested areas for improvement include addressing the lack of documented procedures in many of the areas reviewed; that a full IT business impact analysis should be undertaken; general administration over the network Active Directory needs to be undertaken; all IT systems testing should be evidenced and formally signed off by an appropriate senior officer; and monitoring of Information Systems log files is not currently undertaken. The report also commended officers on good practice in other areas.

Capital Budgeting and Accounting

Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control, and the level of assurance given is high. Exceptions that were noted relate to evidencing pre-payment checks of invoices and showing how depreciation for vehicles, plant & equipment is calculated in the Fixed Asset Register with a need to include their original costs so calculations can be checked.

Firefighters Pension Account

New arrangements were introduced on 1st April 2006 when Fire Authorities became responsible for their own pensions schemes, with a new Firefighters Pension Scheme starting on this date. The scope of the audit was defined as providing assurance of compliance with ODPM requirements. Testing confirmed that the Pension Fund Top Up Grants are correctly calculated as prescribed by the ODPM Circular setting out the arrangements.

Risk Management and Business Continuity

Following discussion with key staff, this audit concentrated on Business Continuity arrangements. In many respects, compliance with best practice was confirmed. Weaknesses identified include the need to finalise arrangements for access to key documents and resources, the need to formally approve the plan, ready access to key contact details and instructions, the maintenance of records for training provision and version control of the manual.

Retained Firefighters

As part of the 2008/09 audit plan, time was allocated to 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 systems for the recording of attendance and payment to Retained Firefighters. The review has concluded that the process is excessively time consuming and cumbersome, which introduces the potential for error on a significant scale if officers are not diligent in the processes. Whilst sample testing identified no material error, the automation of the process would improve the efficiency of the operation and provide a level of accuracy that cannot be consistently applied at present. One area was detected where there is potential for fraud, and a recommendation is made to ensure that unused lines on claim forms are scored through in order that hours cannot be added retrospectively, and fraudulent payments made. Another anomaly was identified in relation to how additional drills are recorded for statistical purposes.

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 have been made as a result of this review.

Follow Up of Previous Recommendations

Banking Arrangements (2005/06) - Both recommendations had been satisfactorily implemented.

Creditors (2005/06) - One recommendation made was superseded by a recommendation made in the 2007/08 audit.

Debtors (2005/06) - The single recommendation made remains to be addressed.

Fraud & Corruption (2005/06) - The single recommendation made has been implemented.

Personnel (2005/06) - Of the five recommendations made all remain to be fully implemented. Two of the recommendations have been expanded to provide more detail which should facilitate their satisfactory implementation.

Stores (2005/06) - Of the two recommendations made both have not been implemented and are therefore repeated.

FSS and Statistics (2006/07) - The recommendation made has been partially implemented, and superseded by a new recommendation.

Miscellaneous (2006/07) - Of the fifteen recommendations made, nine have been implemented, one is superseded, one was partially implemented, and the remaining four are reiterated for implementation.

Procurement (2006/07) - Of the six recommendations made as a result of the system review three have been implemented. Two recommendations were superseded by recommendations made in the 2007/08 creditors audit, and one is reiterated for implementation.

Vehicle Fleet (2006/07) - Of the nine recommendations made as a result of the system review six are implemented and one is superseded. The remaining two recommendations are reiterated and require attention.

A summary of the recommendations that were still categorised as 'Not Implemented' is attached at **Appendix A**.

Recommendations made in 2007/08 and 2008/09 will be followed up in the 2009/10 audit.

It is acknowledged that the Audit Committee decided in March 2008 that the Risk Management Group should review actions taken by management against recommendations, to ensure that these were dealt with in an expeditious manner. The process for the review of action has been discussed with officers, to resolve initial teething problems. As a result of these consultations, action has been identified to improve the process, and the Risk Management Group will be giving further consideration of how to progress matters, which are not resolved in a timely manner, to the Audit Committee.

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.

Graham Tart
Head of Audit Services
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