

Internal Audit 2006/07 Miscellaneous/Estates Management

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report sets out the detailed outcome of the audit undertaken on miscellaneous and estates management during 2006/07.

2 Recommendations

The Committee is recommended to note the outcome of the audit, and approve the actions being taken by officers to address the recommendations made by the Fire Authority's internal auditors.

3 Background

At its meeting on 29 March 2007 the Committee received a progress report on the 2006/07 internal audit, which set out the summary of recommendations made by the auditors as follows:

	No.
i. Fundamental: Recommendations for immediate action to address major control weaknesses that, if not addressed, could lead to material loss	-
ii. Significant: Recommendations to address a substantial control weakness when the system may be working but errors may go undetected	22
iii. Requiring Attention: Decisions and actions aimed at improving the existing control environment of improving efficiency	24



The Committee heard that all recommendations were bring addressed and acted upon, unless officers could specifically justify present policies and procedures.

The Committee considered that it would be appropriate to their role of holding the Fire Authority to account to consider, in detail, the outcome of an audit and chose the miscellaneous/estates management audit. This had produced 8 “significant” and 7 “requires attention” recommendations.

The full details, which include information exempt under the Local Government Act 1972, are set out in a report later in the agenda, but the issues are dealt with below.

The areas covered by audit were:

	Recommendations	
	Significant	Require Attention
• Assets and Inventories	-	3
• Insurance	-	2
• Imprests	2	1
• Gifts and Hospitality	-	1
• Voluntary Funds	4	-
• Publicity	2	-
• Estates Management	-	-
	8	7

4 Assets and Inventories

The objective of the audit was to investigate whether an asset register and inventory are in place in accordance with Brigade Orders.

The three recommendations are:

- i. The need to delete a superseded Brigade Order, which existed alongside its replacement. This has been done.
- ii. The need to ensure that published Brigade Orders, which include details of vehicles and equipment, are regularly kept up-to-date. The risk identified is not that assets are not properly controlled, but that publishing out-of-date information can result in adverse publicity or loss of reputation. This is being done.
- iii. Current Brigade Orders require an inventory of office furniture and equipment, which is not being done. The auditors invite us to reconsider this in the Brigade Order requirement. The costs and time are not considered worth investing in an extensive inventory of low value items, and in future this requirement will be limited to high value items and those that require maintenance, test or inspection.



5 Insurance

The objective of the audit was to investigate whether appropriate arrangements are in place for the maintenance of adequate and appropriate insurance cover, and ensure claims are dealt with expeditiously.

The two recommendations are:

- i. Written procedures should be in place and readily accessible for dealing with insurance claims, to ensure continuity in case of staff absence. Agreed and implemented.
- ii. The various elements of the insurance premium should be allocated to appropriate budget headings in all cases. Agreed and implemented.

6 Imprests

The objective of the audit is to check that imprest accounts are properly controlled and accounted. The financial significance is limited - imprests total less than £2,000, however, they are potentially sensitive and involve cash.

The two significant recommendations are:

- i. There should be an independent managerial review that claims are checked and the position is correctly reconciled to the bank statement. This is agreed, and such independent checks will be undertaken and evidenced.
- ii. VAT should not be reclaimed on zero-rated items. This is a potentially significant issue, as VAT reimbursements could be overclaimed. In fact, the instance noted was one transaction and does not indicate a major issue. However, your officers agree with the concern and policy is now not to reclaim VAT unless absolutely sure of the position.

The recommendation requiring attention is:

- iii. The reconciliation of one imprest showed that it contained more cash than it should. This was due to reimbursements being rounded down. The auditors underline the importance of reimbursing exactly what has been spent. This is agreed and acted upon.

7 Gifts and Hospitality

The object of the audit was to verify adherence to the Gifts and Hospitality policies and guidance. The one recommendation requiring attention was that good practice would require an independent review of the declarations made, their registration, and the action taken as a result. The auditors recommended periodic review by the Chief Fire Officer or nominated senior representative. This is agreed and will be implemented.



8 Clubs and Funds

The object of the audit is to see whether there are appropriate procedures and controls in place for the maintenance of, and accountability for, private and voluntary funds associated with the Service and accounts are operated accordingly. The four significant recommendations are:

- i. Brigade Orders should be amended to update responsibility for notifying funds and sending annual audited accounts to the Fire Authority. This is agreed and is being done.
- ii. The collection and recording of returns of current clubs and funds has fallen behind and should be brought up-to-date. This is acknowledged and is being done.
- iii. Some accounts, although submitted, were not formerly signed by the Treasurer or auditor of those funds or associations. It is acknowledged that formally signed accounts should, and will be, obtained.
- iv. The Brigade Order sets out a framework to ensure clubs etc, are properly constituted, controlled and operated. In some cases, there was no evidence of constitution, and the auditors recommend assurances should be obtained. This is agreed and procedures are being put in place.

9 Publicity

The audit is intended to examine whether the publicity budget is appropriately controlled and is for relevant expenditure.

This area of expenditure is controlled by section 5(i) of the Local Government Act 1986 and, therefore, warrants specific review.

The two significant recommendations, however, are more about contractual arrangements generally.

- i. There should be a formal contract with the Fire Authority's Public Relations consultant, as there would otherwise be no formal terms and conditions to resolve any potential dispute. This is agreed, and a formal contract has now been put in place.
- ii. In general, all contracts with consultants employed by the Fire Service should be reviewed to ensure they are current and appropriate. This is also agreed and action is taking place to do this.

10 Summary

These audits cover areas regarded as of medium to low risk. Seven days were allocated to them over the four-year period of the current audit plan.



To reflect their relative level of risk, the audits took place in 2006/07, the third year of the plan.

This report deals only with those areas where recommendations were made and does not indicate those areas where no recommendations were necessary. The overall conclusion of the audit is that “satisfactory controls exist over the miscellaneous procedures examined at SWFA [Shropshire and Wrekin Fire Authority], and in general they are operating well. Recommendations have been made in response to exceptions identified in testing. The implementation of these recommendations will serve to enhance the procedures that are already in place”.

The conclusion of the Estates Management audit is “although no detailed testing was undertaken, an overview of procedures concluded that these appear to be sound and there is good awareness of the issues which need to be addressed”.

Members will form their own judgements as to the picture this report paints of the way these services are run. As Treasurer, I consider that the audits do give assurances that overall, the processes examined are operating satisfactorily, but that officers will use the audit report to improve current practice.

11 Legal Comment

There are no direct legal implications arising from this report.

12 Equality Impact Assessment

Officers have considered the Service’s Brigade Order on EIA (Human Resources 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An initial Equality Impact Assessment has not, therefore, been completed.

13 Appendices

There are no appendices attached to this report.

14 Background Papers

There are no background papers associated with this report.



Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	*
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	*
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

