



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority  
Finance and Resources Committee

# **INTERNAL AUDIT ANNUAL REPORT 2013/14**

Report of the Chief Fire Officer

**Date:** 11 July 2014

**Purpose of Report:**

To bring to the attention of Members the annual report prepared by the Authority's Internal Auditors.

## **CONTACT OFFICER**

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## **1. BACKGROUND**

- 1.1 Nottinghamshire County Council have provided an Internal Audit service to the Fire and Rescue Authority since its formation in 1998. It has been agreed that in the interests of good governance, the Internal Auditors annual report should be presented directly to the Finance and Resources Committee.
- 1.2 The annual report for 2013/14 is attached in full as Appendix A to this report.
- 1.3 Under the provisions of the Statement of Recommended Practice, the Authority is required to annually review its arrangements for the provision of Internal Audit and comment on that review. This report sets out the basis of that review and a draft statement on Internal Audit is attached.

## **2. REPORT**

### **AUDITORS REPORT**

- 2.1 The Auditors report is divided up into five sections:
  - A A narrative summary to 31 March 2014.
  - B Summary of reports issued to date
  - C Detailed analysis of progress against plan for 2013/2014
  - D Internal Audit Plan for 2014/15
- 2.2 The Auditors again comment in their narrative summary that overall the audit reports issued during the year confirmed that satisfactory control procedures are in operation and that areas previously considered to be unsatisfactory had improved.
- 2.3 The narrative section also shows the amount of audit time spent during 2013/14 and the level at which this was provided – ie: over 60% provided by senior and/or qualified staff.
- 2.4 The Auditors have also provided a view on the internal control environment and conclude that:

“From the work carried out during the 2013/14 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management.”

This statement will form part of the Annual Governance Statement to be reported to the full Fire Authority.
- 2.5 Section B of the audit report gives a summary of the reports issued up to 31<sup>st</sup> March 2014 and gives a brief description of each.
- 2.6 Section C shows the Auditors actual performance against planned activity for the year 2012/13. This shows that they completed 81 audit days from the planned delivery of 92 days in 2013/14.

- 2.7 Section D shows the internal audit plan for 2013/2014. Members will note that this plans for 103 days activity which equates to the 92 days charged for 2014/2015 plus the 11 days brought forward from 2013/2014.

## **REVIEW OF INTERNAL AUDIT**

- 2.8 The requirement for an Authority to maintain an Internal Audit function is derived from the local government legislation, including Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2003 amended in 2006, in that a relevant body must:
- “maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.
- 2.9 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of his Section 151 obligations.
- 2.10 The Authority views Internal Audit as an integral part of the corporate governance framework, particularly in so far as it relates to the system of Internal Control. Whilst it is acknowledged that Internal Control is a managerial responsibility, it is considered that Internal Audit can provide managers with independent assurance that the system is working effectively and draw any deficiencies in the system to the attention of managers and elected members.
- 2.11 These assurances, however, can only be relied upon providing the internal audit service is adequate to meet the needs of the organisation and is provided professionally.
- 2.12 The Internal Audit Service of the Authority is provided under a Service Level Agreement with Nottinghamshire County Council and under a set of conditions which require them to operate within the guidelines set down by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Internal Audit of Local Government. This is known as the CIPFA Code of Practice.
- 2.13 Operating within this Code and to the standards set out therein will ensure that the Authority meets its obligations under statute.
- 2.14 There are regular reviews of audit plans and progress by senior managers and the audit team to monitor the work being carried out.
- 2.15 The External Auditors, in their general review of controls and as part of their specific annual audit, are required to comment on the adequacy or otherwise of Internal Audit. To date they have always been satisfied that the work of Internal Audit is sufficient for them to rely on their audit work and that the service is effective.

## **3. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

#### **4. HUMAN RESOURCES AND LERANING AND DEVELOPMENT IMPLICATIONS**

There are no human resources or learning and development implications arising from this report.

#### **5. EQUALITIES IMPLICATIONS**

There are no implications for equalities arising from this report.

#### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

#### **7. LEGAL IMPLICATIONS**

There are no legal implications arising from this report.

#### **8. RISK MANAGEMENT IMPLICATIONS**

Internal Audit forms part of the wider system of internal control which deals entirely with the Authority's exposure to financial, and to some extent non-financial risk. Presenting the annual report to the Authority enables Members to see the work of internal audit and the contribution that they make to the overall system of internal control.

#### **9. RECOMMENDATIONS**

That Members note the contents of this report.

#### **10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

John Buckley  
**CHIEF FIRE OFFICER**

**INTERNAL AUDIT ANNUAL REPORT 2013/14**  
**TO THE CHIEF FIRE OFFICER**

<b><u>SECTION</u></b>	<b><u>CONTENTS</u></b>
<b>A</b>	<b>Narrative Summary to 31st March 2014</b>
<b>B</b>	<b>Summary of Reports Issued to Date</b>
<b>C</b>	<b>Detailed Analysis of Progress against Plan for 2013/14</b>
<b>D</b>	<b>Internal Audit Plan for 2014/15</b>

**INTERNAL AUDIT ANNUAL REPORT 2013/14****SUMMARY****1 Audit coverage for the twelve months to the end of March 2014**

- 1.1 Eight audits were planned for 2013/14.
- 1.2 Eight final reports have been issued in 2013/14. The two audits from 2012/13 were completed, together with six of the eight audits planned for 2013/14. The Capital Grant for 2012/13 has also been audited and signed off.
- 1.3 Draft reports have been issued in respect of three audits (Cardiff Checks, Capital and Trading Activities) and these should be finalised in April 2014. The Payroll audit and Risk Management audits have been commenced and will be completed in 2014/15. The audit of Corporate Governance is substantially complete. The allocation for IT audit has not been utilised.
- 1.4 All of the areas reviewed to date in 2013/14 have been either satisfactory or better. Areas followed up from previously unsatisfactory audit opinions have improved.
- 1.5 The Cardiff Checks audits identified a number of relatively minor issues where control could be further improved.
- 1.6 Overall, the audit reports issued during the year confirmed that satisfactory control procedures are in operation.
- 1.7 A summary of reports issued in the 2013/14 financial year, together with main findings, is attached (Section B).
- 1.8 Over 60% of the audit work carried out in the year was undertaken by senior and/or qualified staff.

**2 Audit Strategy**

- 2.1 This is the first year of the risk based Internal Audit strategy for 2013/14 to 2015/16 approved at the Finance and Resources Committee meeting on 4 April 2013. A revised risk analysis and strategy will be presented to the Committee for consideration in early 2014/15.

**3 Annual Governance Statement**

- 3.1 The Accounts and Audit Regulations 2011 require the Authority to review the effectiveness of its system of internal control and publish an Annual Governance Statement to cover the effectiveness of the Authority's systems for governance and internal control. The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) issue guidance to Local Authorities from time to time to assist with compliance.

- 3.2 In order to satisfy the principles of effective risk management and internal control, the Authority needs to have in place effective risk management systems, including sound systems of internal control and an internal audit function. These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant statements of best practice, and need to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively.
- 3.3 Internal Audit is appointed by the Chief Fire Officer and Treasurer (who is the Section 151 officer for the Fire Authority), and provides management with an independent appraisal of these matters.
- 3.4 The scope and cyclical frequency of work carried out by Internal Audit during each financial year is mainly based on an assessment of (predominately) financial risk on all activities that form the responsibility of the Combined Fire Authority. Annual reviews of key control areas for the main financial systems are also conducted following discussions with external audit.
- 3.5 The objective of the audits is to form an opinion on the adequacy of the systems of internal control put in place by management; to review efficiency, effectiveness and best value issues and to ensure that the assets of the authority are properly safeguarded. Formal audit reporting procedures are in place to provide assurance to management where effective controls are being operated, and to make recommendations for change and improvement where control weaknesses are identified.
- 3.6 From the work carried out during the 2013/14 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management.
- 3.7 The Chief Fire Officer and his managers have responded positively to all recommendations made in the reports that have been finalised.

#### **4 Conclusion**

- 4.1 Based on the Internal Audit work completed during the year, we have concluded that the overall level of internal control is satisfactory.

John Bailey  
Head of Internal Audit  
31 March 2014

**SUMMARY OF REPORTS ISSUED TO THE FIRE AND RESCUE SERVICE  
FOR THE FINANCIAL YEAR 2013/2014 AS AT 31st MARCH 2014**

**1. FRS 1401 – Purchasing and Creditor Payments**

The arrangements in place were sound and no recommendations were required for improved control. The in-built controls in Agresso, the financial management system, ensures that new supplier details are documented, orders are raised, receipt of goods is confirmed and outstanding purchase orders can be followed up.

**2. FRS 1310 – Debtors and Income**

The controls in place were considered to be satisfactory. However, a number of recommendations were made, including more timely posting of BACS income to Sales Ledger, documenting action taken to pursue outstanding debt and updating access rights in the Agresso system. These actions have been agreed for implementation.

**3. Cardiff Checks 2012/13**

A sample of payments made during the year was selected for detailed checking, to confirm compliance with ordering, goods receipt, payment and other Fire and Rescue Service procedures. The payments were in respect of an ICT cabinet upgrade, thermal imaging cameras and a travel expenses claim.

**4. FRS 1402 – Capital Grant**

The capital grant claim form for 2012/13 was signed off satisfactorily.

**5. FRS 1403 – Financial Management - Agresso**

Controls over the financial management system were generally found to be satisfactory. Recommendations were made, and agreed, to improve control over the System Administrators activity and prevention of unauthorised access.

**6. FRS 1404 – Trading Activities – follow up – Still in Draft**

The follow up review confirmed that significant improvements had been made in response to the audit recommendations made. Eight of the ten recommendations had been implemented, and the other recommendations had been progressed. Further recommendations were made to improve stock records and ensure formal, documented, monitoring of financial performance.

**7. FRS 1405 - Capital**

This audit opinion was that there was satisfactory control. Although there were a number of High Risk recommendations, they related to a relatively old capital project. The Service recognised the short-comings and systems have since changed to improve overall control.

**8. Cardiff Checks 2013/14**

A sample of payments made during the year was selected for detailed checking, to confirm compliance with ordering, goods receipt, payment and other Fire and Rescue Service procedures. The payments were in respect a



travel expenses claim, maintenance of a fire hydrant and a charge in respect of the Airwave project.

### **2013/14 AUDITS STILL IN PROGRESS**

9. **Corporate Governance review.** Delays have occurred in getting access to the required information.
10. **Payroll** – this audit has now commenced and will be completed in 2014/15.

**INTERNAL AUDIT ANNUAL PLAN AND ACTUAL DAYS 2013/2014**

<b>Area of Service Activity</b>	<b>Planned Audit Days</b>	<b>Actual Days</b>	<b>Report Ref:</b>	<b>Comments</b>
Payroll	14	4		Audit commenced and will be completed in 2014/15
Financial Management	10	10	FRS 1403	
Notts FRS Trading (Follow-up)	5	5	FRS 1404	Report in draft - significant improvement confirmed
ICT work	10	4		Work commenced on ICT Strategy review - to be completed in 2014/15
Capital	10	11	FRS 1405	Report in draft - reasonable assurance provided
Cardiff Checks 2012/13 and 2013/14	10	14		Reported to management - needs to be reported to Committee?
Corporate Governance	10	11		Substantially complete but awaiting further information
Risk Management (Follow-up)	5	2		Audit commenced and will be completed in 2014/15
Income & Debtors	-	1	FRS 1310	Carried over from 2012/13.
Purchasing and Creditor Payments	-	7	FRS 1401	Carried over from 2012/13.
Contingency	10	3		Provision on advice over pensions issue identified during the year
Capital Grant Certification (2012/13)	1	2	FRS1402	Annual certification of Capital Grant Claim.
Client Management	7	7	N/A	
<b>Total Audit Days for the Year</b>	<b>92</b>	<b>81</b>		

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## COMBINED FIRE AUTHORITY - INTERNAL AUDIT PLAN FOR 2014 / 2015

SERVICE AREA	Assessed Risk	Audit Frequency (Years)	Year Last Audited	2014 – 2015 Planned
Contingency	To be agreed			10
Payroll - completion of 2013/14 audit	Medium	3	2011/12	10
Records matching		Requested		9
Pensions	Medium	3	2012/13	10
Assets	Low	4	2010/11	5
Premises	Medium	3	2012/13	
Purchasing & Creditor Payments	Medium	3	2012/13	10
Transport	Low	4	2011/12	
Financial Management	High	2	2011/12	10
Treasury Management	Medium	3	2011/12	5
Income & Debtors	Medium	3	2012/13	
Notts FRS Trading Ltd	Medium	3	2012/13	
ICT	High	Annual	2013/14	16
Capital	Medium	3	2013/14	
Cardiff Checks		Annual	2013/14	10
Corp Governance - completion of 2013/14 audit	High	2	2013/14	
Risk Management	Medium	3	2010/11	
Partnerships	Medium	3	2012/13	
Capital Grant Claim Certification			2012/13	1
Client Management				7
<b>Total planned days for the year</b>				<b>103</b>

