

**Internal Audit Report**

**Tyne and Wear Fire and Rescue Service**

**Accounts Payable Transaction Testing**

**2023/24**

<b>Level of Assurance</b>	<b>Substantial</b>
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## Internal Audit Report

### Tyne and Wear Fire and Rescue Service

#### Accounts Payable Transaction Testing

#### 1. Introduction and Objectives

- 1.1 In delivery of Internal Audit's operational audit plan the fieldwork for the above audit was recently completed.
- 1.2 The objective of the audit was to determine the level of assurance that can be provided regarding the accuracy and correctness of creditor payments processed by the Fire Service.
- 1.3 The audit involved examination of a sample of paid invoices processed via the SAP FMS system which was traced back to supporting documentation and approvals.
- 1.4 Key risks to the achievement of the objectives of the area under review were identified. The key controls to manage those risks were then identified, assessed for adequacy and tested to confirm whether they are operating as planned.
- 1.5 Discussions were held with the following officers:
  - M. Hughes, Procurement Services Manager;
  - C. Chapman, Senior Procurement Advisor.
- 1.6 Audit findings are categorised as High, Significant, Medium or Low Risk, in accordance with the definitions set out in Appendix A. Recommended actions to address any such findings are detailed in the Action Plan at Appendix B. Once agreed, effective implementation of such actions by management is important for the maintenance of a reliable internal control system. Implementation of agreed actions is monitored and reported to the Authority's Governance Committee.
- 1.7 Matters raised as a result of audits are not necessarily a comprehensive statement of all control issues that exist or all improvements that might be made. Responsibility for the maintenance of a sound system of internal control rests with management. Audit procedures are designed so that any material weaknesses in internal control have a reasonable chance of discovery but should not be relied upon to identify all system weaknesses that may exist.

## 2 Summary of Findings

2.1 The findings of the audit are very positive with no actions considered necessary. The Fire Service demonstrates good practice in its arrangements for the processing of creditor payments.

### ***Ordering, receipt and payment for goods and services via the SAP FMS system***

2.2 From testing a sample of purchase orders, it was confirmed that the Fire Service's controls for the raising of orders, receipting and the payment of goods and services are operating effectively.

2.3 Testing highlighted the following:

- there is appropriate separation of duties in place for the purchasing process;
- orders were approved by officers detailed on the Fire Services' Authorised List of Signatories for SAP Manual Purchase Orders; and
- payments were processed accurately for goods and services received by the Fire Service.

2.4 However, it was noted that within ICT the same individual orders and approves purchase orders. This is reflected within the Fire Service Purchase Order Approval Document, in addition to the agreed compensating control, where the Head of ICT is to review all orders raised by the ICT Department on a fortnightly basis. It was confirmed with the Head of ICT that these checks are being completed.

2.5 It was pleasing to note that for a sample of higher value purchases, there was supporting evidence to demonstrate that a robust tendering process had been undertaken, including documenting detailed reasons for selecting each supplier.

### ***Purchase Card arrangements***

2.6 Testing was undertaken on a sample of purchase card transactions. For the sample tested, all were supported by an invoice or receipt and found to be in line with Fire Service business. A signed agreement for each cardholder sampled was sighted, with appropriate individual and monthly transaction limits and merchant categories set for each card.

### **3 Conclusion/Opinion Statement**

- 3.1 The findings of the audit give substantial assurance regarding the accuracy and correctness of creditor payments processed by the Fire Service.
- 3.2 The controls evaluated are well designed, appropriate in scope and are applied consistently and effectively.

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Report Issue Date: May 2024

**Definition of Risk Categories for Audit Findings**

<b>Categorisation</b>	<b>Definition</b>
<b>High Risk</b>	There is a fundamental control issue which if not addressed immediately will put at risk the achievement of the aims and objectives of the organisation.
<b>Significant Risk</b>	There is a control issue which could have a significant impact on the achievement of the aims and objectives of the organisation, or which presents a significant risk to the organisation's reputation. Prompt management action is required to remedy the situation.
<b>Medium Risk</b>	There is a control issue which could prevent the achievement of the aims and objectives of the area or service which is being audited, and management attention is required to remedy the situation within a reasonable period.
<b>Low Risk</b>	There is a minor control issue within the system and proportional remedial action is required within an appropriate timescale.

