

<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>AUDIT COMMITTEE</b>		
<b>DATE:</b>	<b>04 JUNE 2020</b>	<b>REPORT NO:</b>	<b>CFO/027/20</b>
<b>PRESENTING OFFICER</b>	<b>IAN CUMMINS, DIRECTOR OF FINANCE</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>IAN CUMMINS</b>	<b>REPORT AUTHOR:</b>	<b>IAN CUMMINS</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC LEADERSHIP TEAM</b>		
<b>TITLE OF REPORT:</b>	<b>2019/20 ANNUAL YEAR-END INTERNAL AUDIT REPORT</b>		

<b>APPENDICES:</b>	<b>APPENDIX A: ANNUAL INTERNAL AUDIT REPORT AND OPINION</b>
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### **Purpose of Report**

1. To present to Members the Annual Year End Internal Audit report for 2019/20.

### **Recommendation**

2. That Members note the contents of the report.

### **Introduction and Background**

1. Internal Audit is an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources (Source: Code of Practice for Internal Audit in Local Government).
2. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems (Accounts and Audit Regulations 2015).
3. In order to fulfil these functions the Authority buy-in Internal Audit service's from Liverpool City Council. Each year Internal Audit submit a plan for their work following consultation with the Director of Finance and other key officers. This plan is set based upon an assessment of risks, previous findings and the relationship with External Audit work. The 2019/20 plan was considered by the Audit Committee on 6th June, 2019 (CFO/020/19).
4. The Internal Audit outturn report for 2019/20 is attached as Appendix A. On the basis of the reviews undertaken Internal Audit have concluded that *"it is our opinion that we can provide Substantial Assurance that the system of internal control in place at Merseyside Fire & Rescue accords with proper practice. This*

*opinion is based on the individual assurance levels we have provided for each of the audit reviews undertaken during the year, and includes consideration of the wider sources of assurance provided to the Authority. The 2019/20 fundamental systems audits completed to date have shown a substantial level of compliance and none of the audits have identified weaknesses that have required a corporate impact assessment of major or moderate. Based on the audit work carried out in 2019/20 we are not aware of any significant control weaknesses, which impact on the Annual Governance Statement”*

5. Appendix A provides a brief overview of the key findings of each audit carried out in 2019/20. During 2019/20 Internal Audit have completed ten audits of major systems and an additional two are at the reporting stage. All of the completed audit reviews found a high level of assurance in the current system of control and governance and that any potential corporate risk to the Authority was negligible.
6. The table below summaries the audit review and findings:

<b>Audit Title</b>	<b>Control Environment</b>	<b>Compliance</b>	<b>Corporate Impact</b>
General Ledger	Substantial	Substantial	Minor
Creditors			
Debtors			
Medium Term Financial Plan*			
Budgetary Control*			
Treasury Management*	Good	Good	Minor
Payroll*			
Payroll	Fieldwork	Fieldwork	Fieldwork
Review of data protection processes	Good	Good	Minor
Review of firefighters pensioners administration control	Substantial	Substantial	Minor
Review of new debit card payment process			
Lease / Provided ESV car controls	In review	In review	In review

*\* Old year carry forward completed in 2019/20*

7. The following audits were not undertaken but they have been considered as part of the 2020/21 Audit Plan:

<b>Audit Title</b>
HMICFRS Inspection outcome – review of action plan progress
Cyber Security
Special Services charging process
Workshops – Controls/Process around work for 3rd parties

8. Audit recommendations are graded as medium, high or essential/strategic with the latter being the most critical and indicating. Internal Audit aims to follow up all essential / strategic recommendations within a month of their target implementation date, and all high recommendations within three months. It has recently been agreed, that to allow a more complete assurance to be obtained on the implementation of recommendations, medium recommendations will also be followed up. The overall position at the end of the period is that of the 39 recommendations actively followed up, 16 recommendations have been closed and the implementation of 23 is ongoing. The majority of these outstanding recommendations relate to audits reported in the last 18 months. The Director of Finance is currently working with officers to ensure the remaining recommendations are implemented and closed off within the next 3 months.
9. Copies of any audit report can be made available to any member of the committee should they wish to review the contents and recommendations in greater detail.

#### **Equality and Diversity Implications**

10. There are no Equality or Diversity Implications contained within this report.

#### **Staff Implications**

11. There are no staff implications contained within this report.

#### **Legal Implications**

12. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems. (Accounts and Audit Regulations 2015 s.5(1)).

#### **Financial Implications & Value for Money**

13. The cost of the Internal Audit Service from Liverpool City Council in 2019/20 was £35,500. The Authority had made adequate budget provision in 2019/20 to pay for these audit services.

#### **Risk Management, Health & Safety, and Environmental Implications**

14. None contained within this report.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

15. The Authority is committed to ensuring strong internal control processes are in place to ensure all information and services delivered are transparent and fair and all audit requirements are adhered to. The Authority continues to strive to maintain the highest level of standards and commitment to the community it serves.

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## **BACKGROUND PAPERS**

**CFO/020/19** Annual Internal Audit Plan 2019/20” Audit Committee 6<sup>th</sup> June 2019.

Account & Audit Regulations 2015

Code of Practice for Internal Audit in Local Government, CIPFA 2003

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## **GLOSSARY OF TERMS**