

AGENDA ITEM:

REPORT TO:	MERSEYSIDE FIRE & RESCUE AUTHORITY MEETING
DATE:	12TH MAY 2011
REPORT NO.	CFO/050/11
REPORTING OFFICER:	ASSISTANT CHIEF EXECUTIVE & TREASURER
CONTACT OFFICER:	KIERAN TIMMINS, EXTN. 4108
OFFICERS CONSULTED:	IAN CUMMINS, DIRECTOR OF FINANCE, EXTN 4244
SUBJECT:	ANNUAL REVIEW OF INTERNAL AUDIT

**APPENDIX A TITLE: INTERNAL AUDIT WORK FOR MFRS
ATTACHED – HARD COPY**

Purpose of Report

1. To review the work of Internal Audit in 2010/11.

Recommendation

2. The report to be noted.

Introduction & Background

3. 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).
4. 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 1996, 2003).
5. In order to fulfil these functions the Authority has carried out a competitive tendering exercise in 2004 and 2008 in which each of the five Merseyside District Councils, and others, were invited to bid to provide Internal Audit services for the Authority. The contract was awarded to Liverpool City Council's Internal Audit Service on both occasions. The current contract is for a two-year period, with effect from 1st April 2008, with an option for a one year extension.

6. Each year Internal Audit submit a plan for their work following consultation with the Assistant Chief Executive & Treasurer and other key officers. This plan is set based upon an assessment of risks, previous findings and the relationship with External Audit work. The 2010/11 plan was agreed by the Authority Committee on 27th May, 2010 (CFO/077/10).
7. The Internal Audit outturn report for 2010/11 is attached as Appendix A and on the basis of the reviews undertaken Internal Audit have concluded that ***“the Authority’s internal control environment is adequate and effective, bearing in mind that any control system can provide only reasonable assurance and not absolute assurance”....“Based on the audit work carried out in 2010/11 we are not aware of any significant control weaknesses within MFRS which impact on the Annual Governance Statement”***
8. Appendix A provides a brief overview of the key findings of each audit. Details of audit work and copies of the audit reports are reported on a regular basis to Members via the quarterly financial monitors to the Audit & Value For Money Scrutiny Committee. Unless Internal Audit finds major system faults in any area, full audit reports are not normally presented to the Authority.
9. During 2010/11 Internal Audit have completed 13 reviews of major systems. 11 out of the 13 systems checked in detail were regarded as giving substantial assurance about the control framework. In 2 audit reviews, stores and petty cash, the opinion was that only limited assurance could be given as some improvement/weaknesses or non-compliance with procedures had been identified in these audits. The stores audit identified some improvements to the control environment, particularly around access, and while management do have controls in place these are being acted upon as part of the new arrangements in the Engineering Centre. Audit also identified the need to progress the consolidation of various stores operations following the transfer to the Engineering Centre of Excellence, and officers plan to complete this task during 2011/12. Officers asked audit to review petty cash procedures at a number of stations to ensure procedures were being adhered to. Audit found that (whilst no losses were incurred) instructions were not being applied fully; therefore officers plan to roll out a series of training events and follow up checks to resolve this matter. In most cases the audit reports recommended only minor improvements to systems or processes to nullify medium or low operational risk that had been identified. Officers have in all cases implemented the required changes in 2010/11 or they are planned to be in place in 2011/12.

Equality & Diversity Implications

10. None arising from this report.

Financial Implications & Value for Money

11. The cost of the Internal Audit Service from Liverpool City Council in 2010/11 was some £40,800. The Authority had made adequate budget provision in 2010/11 to pay for these audit services.

Health & Safety and Environmental Implications

12. None arising from this report.

Contribution to Achieving Our Purpose:

“To Make Merseyside a Safer, Stronger, Healthier Community”

13. 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.

BACKGROUND PAPERS

Account & Audit Regulations 1996 & 2003

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