

AGENDA ITEM:

REPORT TO:	MERSEYSIDE FIRE & RESCUE AUTHORITY MEETING
DATE:	27TH MAY 2010
REPORT NO.	CFO/075/10
REPORTING OFFICER:	ASSISTANT CHIEF EXECUTIVE & TREASURER
CONTACT OFFICER:	KIERAN TIMMINS, ASSISTANT CHIEF EXECUTIVE & TREASURER, EXTN. 4108
OFFICERS CONSULTED:	
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 2009/10 to help ensure that the audit process contributes to the efficiency and effectiveness of the Service.

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 Executive Director of Resources and other key Officers. This plan is set based upon an assessment of risks, previous findings and the relationship with External Audit work. The 2009/10 plan was agreed by the Authority Committee on 28th May, 2009 (CFO/113/09).
7. The Internal Audit outturn report for 2009/10 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 generally effective, bearing in mind that any control system can provide only reasonable assurance and not absolute assurance”.... “From our work carried out in 2009/10 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 Performance & Audit and Strategy & Resources Committees. Unless Internal Audit finds major system faults in any area, full audit reports are not normally presented to the Authority.
9. During 2009/10 Internal Audit undertook 12 reviews of major systems of which 11 have been completed and the recommendations agreed. Seven out of the ten systems checked in detail were regarded as giving substantial assurance about the control framework. 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 2009/10 or they are planned to be in place in 2010/11. MFRS’s positive attitude towards working with partners and community groups in an innovative and ground breaking way has sometimes meant that the bureaucratic element of the arrangement has not always been recorded and logged in great detail so it is available for inspection. This has lead to auditors assessing the control environment as giving limited assurance. As a consequence of the audit review the partnership register and system controls have been amended to take account of the audit recommendations, (the full partnership report will come to Members for consideration as part of the quarter 1 financial review report).
10. As part of the 2009 Use of Resources Assessment an area for auditor judgement is “internal control” which includes a review of the internal audit function. No weaknesses were identified within the current internal audit provision and overall the Authority’s internal control was assessed at level 3 – consistently above the minimum requirements and performing well.

Equality & Diversity Implications

11. None arising from this report.

Financial Implications & Value for Money

12. The cost of the Internal Audit Service from Liverpool City Council in 2009/10 was some £40,800. The Authority had made adequate budget provision in 2009/10 to pay for these audit services.

Health & Safety and Environmental Implications

13. None arising from this report.

Contribution to Achieving the Vision:

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

14. 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

Report CFO/113/09, Annual Audit Plans, Authority Committee 28th May 2009

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