

AGENDA ITEM:

<b>REPORT TO:</b>	<b>MERSEYSIDE FIRE &amp; RESCUE AUTHORITY MEETING</b>
<b>DATE:</b>	<b>27<sup>TH</sup> MAY 2010</b>
<b>REPORT NO.</b>	<b>CFO/077/10</b>
<b>REPORTING OFFICER:</b>	<b>ASSISTANT CHIEF EXECUTIVE &amp; TREASURER</b>
<b>CONTACT OFFICER:</b>	<b>KIERAN TIMMINS, ASSISTANT CHIEF EXECUTIVE &amp; TREASURER, EXTN. 4108</b>
<b>OFFICERS CONSULTED:</b>	
<b>SUBJECT:</b>	<b>ANNUAL AUDIT PLANS 2010/11</b>

**APPENDIX A TITLE: INTERNAL AUDIT PLAN FOR THE YEAR  
01 APRIL – 31 MARCH 2010**

**APPENDIX B TITLE: AUDIT AND INSPECTION FEE 2010/11**

**ATTACHED – HARD COPY**

**\*A Glossary of Terms has been provided at the end of this report for your reference**

Purpose of Report

1. To notify Members of the proposed Audit plans for Internal and External Audit for 2010/2011 and to seek comments from Members on the plans.

Recommendation

2. That Members consider any comments or opinions they might have on the proposed audit plans.
3. Merseyside Fire & Rescue Authority needs to have strong processes and systems in place to ensure probity/sound information and good financial management of its resources.

## Introduction & Background

### Internal Audit

4. 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).
5. 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). In order to fulfil these functions the Authority has contracted with Liverpool City Council's Internal Audit Service.
6. Members will recall that the Authority has utilised the services of the City Council's Internal Audit Service since 1986. In late 2004 and again in 2007, the Assistant Chief Executive and Treasurer conducted a competitive tendering exercise, in which each of the five District Councils, and others, were invited to bid to provide Internal Audit services for the Authority. Liverpool City Council won the contract which commenced on 1<sup>st</sup> April 2005 and was renewed in 2008.
7. The District Auditor found no weakness in the design or operation of the Authority's internal control environment. Under the Comprehensive Area Assessment (CAA) the District Auditor marked the Authority's system of internal control as good and as having an adequate Internal Audit function.
8. Each year Internal Audit submit a plan for their work following consultation with the Assistant Chief Executive and Treasurer and other key Officers. This plan is set based upon an assessment of risks, previous findings and the relationship with External Audit work. Internal Audit have examined the Authority's Risk Register and have taken this into account in preparing the plan. The proposed plan for 2010/11 is set out in Appendix A.

### External Audit

9. Definition - Auditors appointed by the Audit Commission to carry out an independent audit of the organisation in accordance with the Audit Commission Act 1998. It is an external check on the arrangements in place for the governance of the Authority's affairs and the stewardship of the resources at their disposal. This includes auditing the Authority's accounts and looking at aspects of performance management.
10. The Audit Commission has extended the appointment of the District Audit service as the Authority's external auditors. Following a restructure, the District Audit Service are essentially part of the Audit Commission.

11. The District Auditor submits a plan for work on an annual basis after consultation with officers of the Authority. The plan is attached as Appendix B, and reflects the work required around the audit of the Authority's Financial Statements and Use of Resources (VFM) work. Set out overleaf are the key areas of work for the External Auditors.

#### Financial Statements and Value for Money Judgement

12. Auditors will carry out an audit of the 2009/10 financial statements and have regard to the International Standards on Auditing UK and Ireland (ISA UKIs). They are also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements and to report if it does not meet these requirements or if the Statement is misleading or inconsistent with our knowledge of the Authority.
13. Auditors are also required to assess the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. Auditors are required to draw a positive conclusion regarding the Authority's arrangements for ensuring value for money in the use of resources assessment.

#### Fire and Rescue Performance Assessment Framework

14. The assessment work will be based on the CAA assessment framework and review outcomes achieved in 2009/10. There are two main elements to CAA:
  - An area assessment that looks at how well local public services are delivering better results for local people in agreed priorities
  - An organisational assessment of individual fire and rescue services combining the use of resources and managing performance themes into a combined assessment of organisational effectiveness
15. The Audit Commission's Fire and Rescue Performance Assessment framework is based on a risk-based approach underpinned by the principle of targeting the Commission's work where it will have the greatest effect.
16. This part of the inspection activity for Merseyside FRA will consist of the following:

<b>Inspection Activity</b>	<b>Reason/impact</b>
Area Assessment	An assessment of local partnerships (Liverpool, Sefton, Knowsley, St Helens and Wirral)
Organisational Assessment	A scored assessment based on: <ul style="list-style-type: none"><li>• The managing performance theme</li><li>• Value for money assessment based on the use of resources theme</li></ul>

### Action by Assistant Chief Executive and Treasurer

17. The Assistant Chief Executive and Treasurer has met with Internal Audit to discuss in detail their plan and in particular any risks arising from areas of low or zero audit coverage in the next year. Arrangements have been set in place for monitoring progress against the plan on an ongoing basis and for closely managing any ad hoc work requirements during the year.
18. The Assistant Chief Executive and Treasurer has also met with District Audit staff to discuss their plans and in particular the relationship between the two plans.

### Financial Implications & Value for Money

19. The estimated cost of the audits is shown in the table below. The Authority has made adequate provision in its budgets for audit services.

	2010/11 £,000	2009/10 £,000
Internal Audit	41	41
External Audit	74 *	73

*\*The 2010/11 proposed Audit Fee, £78,320, contained in the Audit letter is gross fee, after deducting the Audit Commission's approved 6% refund (page 2 of the Audit letter), the reduced fee is £73,621.*

### Equality & Diversity Implications

20. None arising from this report.

### Health & Safety and Environmental Implications

21. None arising from this report.

### Contribution to Achieving the Vision:

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

22. Merseyside Fire and Rescue Authority are committed to ensuring strong processes are in place to ensure all information is transparent and fair and all audit requirements are adhered to. This has proven successful in previous audits. MF&RA strive to maintain the highest level of standards and commitment to the community it serves.

## **BACKGROUND PAPERS**

Audit Commission Act 1996

Account & Audit Regulations 1996 & 2003

Code of Audit Practice, Audit Commission, April 2005

## **\*Glossary of Terms**

CAA	-	Comprehensive Area Assessment
ISA UK1s	-	International Standards on Auditing UK and Ireland
VFM	-	Value for Money