



# INTERNAL AUDIT REPORT

M-035-D  
FINAL

## STATUS OF THIS REPORT

*Whilst this audit report is directed primarily to the recipients named in the report, audit reports are subject to the provisions of the Freedom of Information Act and, as such, may be required to be made publicly available upon request.*

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*Similarly, this report, or extracts from it, should not be included in, or appended to, any committee report, nor should it be quoted as a background paper to any committee report without firstly consulting the Lead Audit Manager.*

## OVERALL AUDIT OPINION

*This audit report contains an opinion on the overall level of assurance that can be given on the internal control environment / systems. It will be one of four levels:*

**Substantial** - *There is a sound system of control and governance in place to achieve the system objectives, controls are being consistently applied and the relevant risks to the service are well managed.*

**Adequate** - *The control environment / systems are operating effectively to ensure that the majority of relevant risks are managed. Slight improvements need to be made in order to provide substantial assurance that all of the objectives of the system are met.*

**Limited** - *Weaknesses and / or non-compliance with procedures are placing system objectives at risk. Heads of Service should consider whether they should refer to this assessment in their annual assurance statement on internal controls together with any actions agreed and / or taken to improve the system.*

**Little/None** - *There are control weaknesses and / or non-compliance with basic controls that are so significant the relevant risks are not being managed at all. The system is open to significant error or abuse. In light of this assessment, Heads of Service should review their risk register and refer to this assessment in their annual assurance statement on internal controls together with any actions agreed and / or taken to improve the system.*



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<b>Date:</b>	29 January 2009	<b>Audit Manager:</b>	Melanie Dexter
<b>Subject:</b>	Merseyside Fire & Rescue Service – Budgetary Control		

## EXECUTIVE SUMMARY

An audit of budgetary monitoring has been completed as part of the agreed 2008/09 plan of audit work for the Merseyside Fire and Rescue Service (MF&RS). The main objectives of the audit was to verify that procedures are in place to ensure that budget reports are regularly reviewed, are in line with best practice and suitable to the needs of budget holders. A review of the Quarterly Financial Review Report was also undertaken by comparing it to similar reports from other organisations.

Internal Audit can provide **adequate** assurance on the work undertaken as systems are operating effectively to ensure that the majority of relevant risks are managed with budgets being effectively monitored and regularly reviewed.

A questionnaire survey of a sample of twenty five budget holders was undertaken, of which eighteen were completed and returned (72%). The results of the survey found that there was a lack of understanding in relation to how the budget report forecast position reflects a profile budget to spend, with seven officers confirming that the format of budget reports had never been fully explained to them. A need for training on budget reports may therefore be required.

On reviewing the first Quarterly Financial Review Report of 2008/09 we found that overall the financial arrangements of the Authority are reported on in sufficient detail and are reviewed adequately and regularly.

Our detailed findings and recommendations relating to the audit undertaken are shown in the table attached.



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## Findings and Recommendations

Rec	Findings	Implications	Recommendation	Priority	Response & by Whom	Implementation Date
1	There is a lack of understanding in relation to how the budget report forecast position reflects a profile budget to spend. Seven officers confirmed that the format of the budget reports has never been fully explained to them and training is required.	Budget monitoring may not be as effective as it needs to be.	Training sessions should be provided to officers on the analysis and interpretation of the budget monitoring process.	★★	Ian Cummins Finance staff meet with Group Managers (level 6) every month to explain and go through the budget reports. Finance will encourage Group Managers to invite all relevant cost centre managers (level 9) to these meetings so they can gain a full understanding of the contents and format of the budget reports. Finance will offer budget report training to all level 9 managers over the next few months to ensure all managers have a full understanding of their statements.	Immediately with a target completion date for all required training by the end of 2008/09

Priority ★★ Essential / Strategic ★★ High ★ Medium / Operational

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Rec	Findings	Implications	Recommendation	Priority	Response & by Whom	Implementation Date
2	Our survey results found that a number of officers would prefer more budgetary information e.g. breakdown of spends for comparison, a more detailed breakdown of employee costs, including recharges, more recoding lines, and account lines.	Budgets may not be monitored as effectively as they could be by budget holders.	Finance should consider running specific reports for certain officers who require these for their individual budget needs.	★	Ian Cummins. This is already being carried out, Finance provide detailed transaction and historic reports on request.  Also Finance are currently looking at implementing e-analysers that will allow services to have direct access to this detailed information and other financial management reports.	N/a as it has been the case for many years.

**Priority** ★★ ★ Essential / Strategic ★★ High ★ Medium / Operational

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