



Liverpool
City Council

Internal Audit Service

Merseyside Fire & Rescue Service -
Internal Audit Progress Report 2018/19
January 2019



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1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) are the mandated professional standards in place for internal audit in local government and govern the work undertaken by the Internal Audit Service. PSIAS sets out the requirement for the Head of Internal Audit to periodically report to the Audit and Governance Select Committee about the audit plan and progress against the plan.
- 1.2 The purpose of this report is to provide the Audit Committee with an update on additions and amendments to the plan so far this year, and to provide an update on work undertaken during the year up to January 2019.

2. Audit Work Completed up to January 2019

- 2.1 The table below summarises the work completed during the financial year up to January 2019. This includes previous year’s work that was yet to be finalised at the time of the annual opinion in May 2018. The majority of the fundamental systems work is scheduled to take place between now and the end of April. Ordinarily, this work is performed in the final quarter to provide assurance on the control environment across the full financial year.
- 2.2 The audit opinion formed in respect of individual audits is separated between the control environment (the controls in place) and compliance (whether or not the controls have been adhered to). The corporate impact opinion is a measure of the significance of the findings to the organisation as a whole. An explanation of the level of assurance and corporate impact ratings are detailed below at section 5. None of these audits has resulted in a limited or no assurance opinion.

Table 1: Audits completed up to January 2019

Audit Title	Control Environment	Compliance	Corporate Impact
Medium Term Financial Plan (old year)	Substantial	Substantial	Minor
Budgetary Control (old year)	Substantial	Substantial	Minor
Procurement – National Resilience (old year)	Substantial	Substantial	Minor
Avon Review (Governance) (old year)	Substantial	Substantial	Minor
Review workshop arrangements for procurement of small value items*	<i>Draft</i>	<i>Draft</i>	<i>Draft</i>

Definition

*Draft - Draft report issued and awaiting management response prior to final opinion being issued.

- 2.3 **Procurement - National Resilience Initiative 17/18** - The objective of this audit review was to review the processes and controls that have been established as part of the new National Resilience Initiative. Testing focussed upon staff costs both within MFRS and other fire services, training costs, central support costs, transport and financial reporting. Testing identified that controls are generally satisfactory in those areas examined. One recommendation has been made in relation to the review of secondment agreements and we have been informed that this review is already in progress.

2.4 **Avon Review** - In July 2017, a Secretary of State report was published under section 10 of the Local Government Act (LGA) 1999, which identified failings in the areas of governance, leadership and culture at Avon Fire and Rescue Authority. The scope of this audit was therefore to examine existing arrangements within Merseyside Fire and Rescue Authority, based upon the directions issued to the Avon inspector, and to report on any areas of weakness. Our findings concluded that we could offer substantial assurance that controls were operating effectively. We identified a minor issue in relation to the Officers' Code of Conduct, in that, although it referred to the Nolan Principles, it did not explain them. We therefore made a recommendation to address this.

2.5 **Workshops - Corporate Cards** - The scope of the audit was to examine the controls in place that are designed to ensure expenditure incurred on the corporate cards is accurately recorded on the fleet management system and the financial ledger and that the usage and administration of the corporate cards within the department is appropriate and achieves value for money. The audit report is currently in draft, so it would be inappropriate to provide an overall opinion, until it has been agreed by management.

3. Audits in Progress up to January 2019

3.1 The table below shows the audits have commenced and are currently in progress.

Table 2: Audits in progress up to January 2019

Audit Title	Audit Stage
Debtors	Fieldwork
Creditors	Fieldwork
PFI - review of monthly payment and adjustment process between tripartite authorities	In Review
Review FPS Pension Administration controls	Fieldwork
Review data protection processes	Fieldwork
Management of Ancillary Fleet	In Review

3.2 **PFI Unitary Charge** - The scope of the audit is to determine what systems and procedures are in place to provide an adequate level of assurance that recovery of the unitary charge from Lancashire and Cumbria is accurate and paid within the specified time scale. Testing is ongoing.

3.3 **Pension Controls** - The scope of the audit is to ensure that new recruits are entered on the correct pension scheme, contributions are allocated correctly, variances are investigated, overtime is correctly classified and payments to leavers are correct. Testing is ongoing for this audit.

3.4 **Data Protection Processes** – This review focusses upon determining if roles and responsibilities, policies and procedures have been developed and implemented in line with Data Protection Act 2018 requirements. Testing will encompass reviewing, and ensuring privacy notices are in place and consent obtained where appropriate, and that data is collected and stored in line with minimum legislative requirements. It

will also consider whether subject access procedures are in place and whether data breaches are identified and reported in line with legislation.

- 3.5 **Ancillary Vehicles / Pooled Vehicles** – This review was scoped to assess whether the ancillary fleet is utilised and managed effectively and efficiently and to establish whether current operating practices represent best value. To do this we considered whether current records available offer sufficient detailed information to allow senior management to ensure that best use is made of the ancillary fleet. We also looked at other potential options available which could offer alternative, maybe more cost effective solutions. This audit commenced some time ago, but a decision was taken to wait until further system's data was available to enable further testing to be performed before providing an opinion. We hope to report on this audit shortly.
- 3.6 The remaining fundamental systems audit reviews are planned to take place between February and April, along with the audit of governance and delivery processes for the procurement of internal development of MFRS applications.

4. **Advisory Work**

- 4.1 Internal Audit is currently reviewing the authority's counter fraud policies to advise on whether any updates are necessary. We will also shortly performing a walk-through of the special services charging process to assess whether any efficiencies can be achieved.

5. Guidance on assurance levels

Control Environment Assurance – Opinion on the design and suitability of the current internal controls.	
Level	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Acceptable	There are some control weaknesses that present a medium risk to the control environment
Limited	There are significant control weaknesses that present a high risk to the control environment
None	There are fundamental control weaknesses that present unacceptable level of risk to the control environment

Compliance Assurance – Opinion on the level of compliance with current internal controls.	
Level	Definition
Substantial	The control environment has substantially operated as intended.
Good	The control environment has largely operated as intended although some minor errors have been detected
Acceptable	The control environment has mainly operated as intended although errors have been detected
Limited	The control environment has not operated as intended. Significant errors have been detected
None	The control environment has fundamentally broken down and is open to significant error or abuse

Organisational impact – The potential impact on the organisation if the recommendations are not implemented.	
Level	Definition
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to moderate risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to a low level of risk. If the risk materialises it would have a minor impact on the organisation as a whole.