

MERSEYSIDE FIRE AND RESCUE AUTHORITY

MEETING OF THE
AUDIT COMMITTEE

6 JUNE 2019

MINUTES

Present: Councillors Brian Kenny, Andrew Makinson, Lisa Preston and James Roberts

Also Present:

Apologies of absence were received from: Anthony Boyle

1. CHAIR'S ANNOUNCEMENTS

Prior to the start of the meeting, information regarding general housekeeping was provided by the Chair to all in attendance.

The Chair confirmed to all present that the proceedings of the meeting would be filmed and requested that any members of the public present who objected to being filmed, make themselves known.

No members of the public voiced any objection therefore the meeting was declared open and recording commenced.

2. Preliminary Matters

Members considered the identification of declarations of interest, any urgent additional items, and any business that may require the exclusion of the press and public.

Members resolved that:

- a) no declarations of interest were made by individual Members in relation to any item of business on the Agenda
- b) no additional items of business to be considered as matters of urgency were determined by the Chair; and
- c) no items of business required the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information.

3. Minutes of previous meeting

The Minutes of the previous meeting of the Audit Committee, held on 14th February 2019, were approved as a correct record and signed accordingly by the Chair.

4. External Audit Plan 2018-19

Members were provided with an overview of the External Audit Plan for 2018/19, by Jillian Burrows, representing the Authority's External Auditors – Grant Thornton.

Members were advised that the Audit Plan summarises the work undertaken throughout 2018/19; and provides a value for money conclusion. It also considers some of the key matters impacting the audit; and some of the significant risks identified. In terms of significant risks, Members were advised that with the exception of one around the accounting of PFI, the risks identified are the same as those for all other FRA's.

In terms of materiality, Members were advised that the report provides a flavour of the financial levels of materiality and associated reporting process.

Members were also informed of the value for money arrangements; and it was clarified that the points highlighted around long term financial sustainability, are in line with every other FRA and reflect austerity, with nothing specific being identified for MFRA.

It was explained that the report also includes information regarding the auditing team at Grant Thornton; and the audit fee.

Questions were raised by Members around the significant risks; and whether the impact of leaving the European Union had been considered. Members were advised that information regarding this, had been included within the original draft of the audit letter, however it was subsequently removed following the delay to Brexit. However, Members were reassured that it is something which is continually considered.

Members Resolved that:

The content of the External Audit Plan for 2018-19, be noted.

5. Treasury Management 2018/19 Annual Report

Members considered Report CFO/019/19 of the Director of Finance, concerning the activities of the Treasury Management operation and actual performance against the agreed Prudential Indicators in 2018/19. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Members were advised that the Treasury Management Strategy was approved as part of the 2018/19 Budget Report; and that regularly updates on treasury management performance against the strategy, have been provided through the quarterly financial review reports; and the interim treasury management report.

Members were informed that the report outlines the treasury management performance for 2018/19; and demonstrates that treasury management activity has been carried out in-line with the approved strategy and within borrowing and treasury management limits, set by the Authority.

The summary of treasury management activity for the year, was also highlighted to Members; and they were informed that more details was contained within Appendix A attached to the report.

Members were advised that:

- No new borrowing was arranged within the year
- Outstanding debt fell by £0.5m to £37.6m
- Investments fell from £31.4m to £22.1m; and
- Treasury Management practices have maintained full compliance with the approved strategy and relevant Codes and Statutes.

A question was raised by Members in relation to the current ratio of reserves to revenue budget.

Members were informed that although Officers did not have a definitive answer to hand it was estimated that earmarked stood at £23m at the end of 2018/19 to a budget of approximately £60m, so +30% of the revenue budget. Members were also advised that the level of reserves are on a downward trend, reducing from approximately £30m at the end of 2016/17 to £23m. It was confirmed that there will be some major capital builds taking place towards the end of 2019/20, which will utilise a large proportion of earmarked reserves.

Members were informed that further information would be provided to them following the meeting if once the figures had been obtained the information was inaccurate. (note: the figures presented reflect the current reserve position).

Members Resolved that:

- a) The Treasury Management Annual Report 2018/19 (attached as Appendix A), be noted.
- b) Further information be provided following the meeting, regarding the current ratio of reserves to revenue budget.

6. 2018/19 Annual Year- end Internal Audit Report

Members considered Report CFO/020/19 of the Director of Finance, concerning the Annual Year End Internal Audit report for 2018/19.

Members were informed that this report summarises the work undertaken by Internal Audit during 2018/19.

They were informed that based on the reviews carried out by Internal Audit during 2018/19, in terms of the performance of the system of internal control in place at MFRA, they can provide assurance:

- That the system of internal control in place, accords with proper practice.
- Of a substantial level of compliance with internal control systems and processes.
- That no weaknesses have been identified that may present a material corporate risk to the Authority.

A summary of the audit reviews carried out throughout the year, were highlighted to Members. In relation to audit reviews of fundamental finance systems, they were informed that five have been completed, one is at a report draft stage, two are currently being reviewed by Internal Audit; and one is still at the fieldwork stage. They were advised that all completed audits have shown a substantial control environment and compliance assessment.

With regards to the other audit work, relating to areas that MFRS officers have asked Internal Audit to review, Members were advised that three have been completed. One completed audit is with the relevant MFRS Office to consider, two are currently being reviewed by Internal Audit, one is at the fieldwork stage; and two have been deferred until 2019/20. Members were informed that with regards to completed audits, all have shown a substantive or acceptable control environment and compliance assessment.

Members were also informed that no audit reviews have identified any potential significant corporate impact risk for the Authority.

Questions were raised by Members regarding the cost of internal audit; and whether it was considered to be reasonable. Members were advised that at £35k a year for 112 audit days that it was; and that a Service Level Agreement was in place with Liverpool City Council for the provision of audit services. It was also confirmed that additional audit days can be requested if required.

A further question was raised regarding the actual number of audit days verses the planned number, in relation to strategic reviews/ client directed/ ad-hoc reviews; and whether the additional days were due to a specific project.

Members were informed that further information regarding the full breakdown of audit days, would be obtained and shared with Members, however it may be due to slippage from the previous years' audits, with some additional work required to finalise reviews. (note: the Director of Finance can confirm that the

increase in project based audits was as the result of 2017/18 audit work being re-phased into 2018/19)

Members Resolved that:

- a) The contents of the report, be noted.
- b) Further information be provided to Members around the breakdown of planned audit days verses actual audit days.

7. THE ANNUAL GOVERNANCE STATEMENT 2018/2019

Members considered Report CFO/018/19 of the Director of Finance, concerning the Authority's Annual Governance Statement. This statement fulfils the Authority's statutory requirement to prepare a statement of internal control in accordance with proper practices, and to present an annual review of the effectiveness of the current arrangements.

Members were advised that the Authority is required to prepare an annual statement reviewing the Authority's governance and systems of internal control arrangements that were in operation during the year.

They were informed that the Annual Governance Statement attached as Appendix A to the report, meets the requirement to review and consider the effectiveness of the governance framework, including the system of internal control that the Authority has had in place during 2018/19.

The key elements of the systems and processes, that underpinned the Authority's governance and internal control arrangements in the year; and their effectiveness, was highlighted to Members.

Members were also advised that the report highlights some potential challenges that the Authority may face in the future.

Members Resolved that:

The 2018/2019 Annual Governance Statement, be approved.

8. 2019/20 Internal Audit Plan

Members considered Report CFO/017/19, concerning the proposed Internal Audit plan for 2019/20 and to seek comments from Members on the plan.

Members were informed that the Authority buys in 112 audit days per year, as part of the Service Level Agreement with Liverpool City Council's Internal Audit service.

They were advised that the report outlines the proposed allocation of the audit days over various projects in 2019/20; and Appendix A to the report outlines the allocation of the 112 days.

As the plan must include a review of the fundamental financial systems, in order to provide assurance to the Authority, Director of Finance and External Auditor that the systems have met the required financial administration standards, including the relevant internal control processes, Members were informed that 40 audit days have been allocated for this work.

Members were advised that the Strategic Leadership Team have considered what strategic reviews should be put forward for 2019/20; and 42 audit days have been allocated to cover the 7 strategic reviews that are outlined within Appendix A.

They were advised that the remainder of the audit days will be taken up by ad hoc investigations, unplanned audits and audit management work.

A question was raised by Members regarding the number of audit days allocated to review the process for a debit card payment system in the canteen. Members were advised that as this type of system has not been used before, Officers were keen for a comprehensive review to be undertaken, with a view to extending the use of the system in future.

Members Resolved that;

The 2019/20 Internal Audit Plan, be approved.

Close

Date of next meeting Thursday, 26 September 2019