

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	03 JUNE 2021	REPORT NO:	CFO/027/21
PRESENTING OFFICER	IAN CUMMINS, DIRECTOR OF FINANCE AND PROCUREMENT		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	SLT		
TITLE OF REPORT:	2020/21 ANNUAL YEAR-END INTERNAL AUDIT REPORT		

APPENDICES:	APPENDIX A: 2020/21 ANNUAL INTERNAL AUDIT REPORT
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Purpose of Report

1. To present to Members the Annual Year End Internal Audit report for 2020/21.

Recommendation

2. That Members note the contents of the report.

Introduction and Background

1. 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).
2. 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 2015).
3. In order to fulfil these functions the Authority buy-in Internal Audit service's from Liverpool City Council. Each year Internal Audit submit a plan for their work following consultation with the Director of Finance and other key officers. This plan is set based upon an assessment of risks, previous findings and the relationship with External Audit work. The 2020/21 plan was considered by the Audit Committee on 4th June, 2020 (CFO/024/20).
4. The Internal Audit outturn report for 2020/21 is attached as Appendix A. On the basis of the reviews undertaken Internal Audit have concluded that;

“it is our opinion that we can provide Substantial Assurance that the system of internal control in place at Merseyside Fire & Rescue accords with proper practice. This opinion is based on the individual assurance levels we have provided for each of the audit reviews undertaken during the year and includes consideration of the wider sources of assurance provided to the Authority”.....“No significant issues were identified in the course of the fundamental systems audits. The audit coverage during the year has provided sufficient evidence that controls in place to govern the core financial systems are sound and that they are substantially adhered to”..... “In our audit of each of these key financials we were able to provide positive opinions for all of these reviews. No significant control weaknesses were identified and a strong control environment continues to be maintained”

5. COVID-19 has had a minimal impact on the delivery of the internal audit work for 2020/21 and there were no significant changes to the planned work, although there are elements of the work yet to be finalised. The fundamental system audits performed required more time than initially envisaged, in part due to the necessity to work remotely due to COVID-19. Some of the non-fundamental system audits were not undertaken as they were no longer required due to process changes in the year or they were no longer applicable, (special services charging process). Some of the audit reviews have been deferred until 2021/22 as either audit work was re-directed to other reviews or COVID-19 meant the review would not be as effective as MFRS staff were pre-occupied with dealing with the challenges of COVID-19. Appendix A provides a brief overview of the key findings of each audit carried out in 2020/21.
6. During the year Internal Audit have completed seven audits and a further two are at the reporting or review stage. All of the completed audit reviews found a high level of assurance in the current system of control and governance and that any potential corporate risk to the Authority was negligible. The table below summarises the audit review and findings:

Audit Title	Control Environment	Compliance	Corporate Impact
General Ledger	Substantial	Substantial	Minor
Creditors	Substantial	Substantial	Minor
Debtors	Substantial	Substantial	Minor
Medium Term Financial Plan	Substantial	Substantial	Minor
Budgetary Control	Substantial	Substantial	Minor
Payroll*	Good (tbc)	Substantial (tbc)	Minor (tbc)
Payroll	Good (tbc)	Substantial (tbc)	Minor (tbc)
HMICFRS Inspection outcome	n/a	n/a	n/a
Lease / Provided ESV car controls	In review	In review	In review
Special Services charging process	Deleted		
Asset and inventory processes	Deferred		
Cyber Security	Deferred		

7. During the period June 2020 to May 2021, Internal Audit followed up on a number of outstanding audit recommendations from historic audit reviews going back as far as 2012/13. The review found 25 recommendations yet to be certified as being actioned by the Service. The overall position at the end of the review was that of the 25 recommendations actively followed up, 5 recommendations have been closed and the implementation of the other 20 has either
- been actioned by the Service and is awaiting Internal Audit confirmation, or
 - a new system or process has been introduced by the Service and Internal Audit will evaluate if the required control measures have been satisfied at the next review of that Service area, or
 - MFRS officers require an extension to the agreed deadline due to either staff changes, or, resources have been redirected to manage COVID-19 challenges.

Appendix A provides more details on these audit recommendations. Over the next few months all of these recommendations will be completed.

8. Copies of any audit report can be made available to any member of the committee should they wish to review the contents and recommendations in greater detail.

Equality and Diversity Implications

9. There are no Equality or Diversity Implications contained within this report.

Staff Implications

10. There are no staff implications contained within this report.

Legal Implications

11. 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 2015 s.5(1)).

Financial Implications & Value for Money

12. The cost of the Internal Audit Service from Liverpool City Council in 2020/21 was £35,500. The Authority had made adequate budget provision to pay for these audit services.

Risk Management, Health & Safety, and Environmental Implications

13. None contained within this report.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

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

CFO/020/19 Annual Internal Audit Plan 2019/20” Audit Committee 6th June 2019.

Account & Audit Regulations 2015

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

GLOSSARY OF TERMS
