

Appendix 1

Lancashire Combined Fire Authority

Internal Audit Service

Monitoring report for the period ended

28 September 2017

1 Purpose of this report

- 1.1 The Annual Audit Plan for 2017/18 was approved by the Audit Committee in March 2017. This report details the progress to date in undertaking the agreed coverage.
- 1.2 This report covers the period 1 April 2017 to 28 September 2017.

Acknowledgements

- 1.3 We are grateful for the assistance that has been provided to us by all the staff contacted in the course of our work.

2 Key issues and themes arising during the period

- 2.1 No assurance work has been completed to date in relation to the 2017/18 audit programme.

3 Internal audit work undertaken

- 3.1 Work carried out during the period 1 April 2017 to 28 September 2017 was in accordance with the agreed audit plan. To date, 5 days have been spent this financial year on completion of the 2017/18 plan, equating to 6% of the total planned audit activity of 80 days.
- 3.2 Additionally, we spent a further 7 days during the first quarter of this financial year in completing and finalising reviews outstanding from the 2016/17 audit plan. The findings from these reviews were reported in our 2016/17 Annual Report presented to the Audit Committee in June.

Key Financial Systems

- 3.3 Our audit of the Accounts Payable, Accounts Receivable and General Ledger systems has been planned and dates agreed with client management for the completion of fieldwork. There are no proposed changes to the scope of our work compared to what has been conducted in previous years.
- 3.4 Similarly, we have scoped our review of Treasury management arrangements, which additionally has been agreed with the Director of Corporate Services.

Operational reviews

- 3.5 No formal scoping has been completed to date on any of the intended reviews, although an outline timetable for our work is presented in the table on pages 3 and 4.

Overall summary and assurance provided

- 3.6 We have set out in the table on the following pages a brief summary of the position of each review during the period. This sets out the planned and actual days we have spent on each review to date.
- 3.7 We will provide a summary of the assurance we are able to provide in relation to each system or operational area of your business when work has been finalised.
- 3.8 ***System adequacy:*** We define a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We define a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.

- 3.9 The assurance we provide over any area of control falls into one of four categories and these are defined at Appendix 1.

Use of this report

- 3.10 This report has been prepared solely for the use of Lancashire Combined Fire Authority and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Governance and business effectiveness</i>						
Governance and risk management arrangements	0	0	0	-	-	Assurance in relation to governance and risk management arrangements will be obtained on an ongoing basis.
<i>Service delivery and support</i>						
Training, learning and development	10	0	10	-	-	Work is scheduled to start in quarter 4.
Rota management	10	0	10	-	-	Work is scheduled to start later in quarter 3.
<i>Business processes</i>						
Accounts payable	10	1	9	-	-	These assignments are completed at the same time and a composite report will be produced. The scope of the audits have been agreed and work is scheduled to start on site at the end of October. No changes proposed to the scope of previous years.
Accounts receivable	5	0.5	4.5	-	-	
General ledger	5	0.5	4.5	-	-	
HR and Payroll	12	0	12	-	-	The audit is scheduled for late quarter 3. We have been asked to include within the scope of this work, the on-line expenses system including the financial monitoring arrangements.

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Treasury management	5	0.5	4.5	-	-	The scope of the audit has been agreed with the Director of Corporate Services, with work scheduled for late quarter 3.
Pensions administration	5	0	5	-	-	Work scheduled to start late quarter 3.
Follow up audit activity						
<ul style="list-style-type: none"> • Absence management • Tranman stores • Tranman fleet • Service Delivery Assurance Team 	6	0	6	-	-	<p>Work scheduled to start late quarter 4.</p> <p>We will obtain assurance from both management self-assessment and our own selective test checking, that controls have been introduced that appropriately mitigate the risks identified.</p>
Other components of the audit plan						
Management activity	10	2.5	7.5	N/A	N/A	Work in the period has included production of the 2016/17 Annual Report, preparation of the periodic monitoring report, and attendance at the June and September meetings of the Audit Committee.
National Fraud Initiative	2	0	2	N/A	N/A	No time spent this period.
Total days	80	5	75			

Audit assurance levels

Appendix 1

The assurance we can provide over any area of control falls into one of four categories as follows:

Full assurance: there is a sound system of internal control which is designed to meet the service objectives and controls are being consistently applied.

Substantial assurance: there is a generally sound system of internal control, designed to meet the service objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

Limited assurance: weaknesses in the design and/ or inconsistent application of controls put the achievement of the service objectives at risk.

No assurance: weaknesses in control and/ or consistent non-compliance with controls could result/ have resulted in failure to achieve the service objectives.