

## **Appendix 1**

**Lancashire Combined Fire Authority**

**Internal Audit Service**

**Monitoring report for the period ended**

**23 February 2018**

## **1 Purpose of this report**

- 1.1 The Internal 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 23 February 2018.

### **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 significant issues have been identified from the assurance work completed to date that needs to be brought to the specific attention of the Committee.

## **3 Internal audit work undertaken**

- 3.1 Work carried out during the period 1 April 2017 to 23 February 2018 was in accordance with the agreed audit plan.
- 3.2 To date, 59 days have been spent this financial year on completion of the 2017/18 plan, equating to 74% of the total planned audit activity of 80 days, of which 5 days have been conducted in the period since our previous report to the Audit Committee, dated 12 January.

### **Summary of recent progress:**

#### ***Governance and risk management arrangements***

- 3.3 We have completed our review of the minutes of the Executive Board, the Service Management Team and the Corporate Programme Board to inform the annual opinion of the Head of Internal Audit on overall risk management, internal control and governance arrangements. This will be provided in the Annual Report for 2017/18 to be presented to the July 2018 meeting of the Audit Committee.

#### ***Rota management***

- 3.4 Our fieldwork has been completed and the draft report recently submitted for management consideration.

#### ***Pension administration***

- 3.5 The scope of this work has recently been agreed and testing will be completed during March 2018.

#### ***Follow up audit activity***

- 3.6 Our prior year audit of *Tranman stores* provided substantial assurance. At the time of the review the system had only been live for approximately four months and a full annual stocktake had still to be performed. Four actions were agreed with management, primarily concerned with stocktaking arrangements. Of these, only one

action (low residual risk) is ongoing which relates to retaining notes of the twice yearly supplier meetings with the software provider.

- 3.7 Arrangements have also been made to commence the follow up audit activity in relation to *Tranman Fleet*, *Absence management* and the *Operational Assurance Team*.

**Overall summary and assurance provided**

- 3.8 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.
- 3.9 We have provided a summary of the assurance we are able to provide in relation to each system or operational area of your business where work has been finalised.

**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.

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

**External quality assessment**

- 3.11 As reported in January 2018, an external quality assessment of the Internal Audit Service conducted in November 2017 confirmed that the service fully meets nearly all the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the IPPF.
- 3.12 We confirmed in January 2018 that a small number of actions had arisen for the Service from this review, which would be addressed over the coming months. The table at Appendix B provides a position statement for the Committee on the actions raised and how they are being addressed by the Internal Audit Service.

**Use of this report**

- 3.13 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.

Lancashire Combined Fire Authority  
 Internal Audit Service - Monitoring report for the period ended 23 February 2018

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Governance and business effectiveness</b>						
Governance and risk management arrangements	0	0	0	-	-	An overall opinion on the adequacy and effectiveness of governance and risk management arrangements will be reported as part of the 2017/18 Annual Report of the Head of Internal Audit.
<b>Service delivery and support</b>						
Rota management	10	10	0	-	-	Fieldwork has been completed and our draft report is with management.
Training, learning and development	10	0	10	-	-	Work is scheduled for completion during March/ April.
<b>Business processes</b>						
Accounts payable	10	10	0	✓	✓	Our final composite report covering each of these accounting systems was issued in December 2017.
				Substantial assurance		
Accounts receivable	5	5	0	✓	✓	Two medium and one low residual risk actions were agreed relating to: <ul style="list-style-type: none"> <li>• Revision of access permissions</li> <li>• Ensuring compliance with Contract Standing Orders</li> <li>• Reminding staff of the correct fees and charges information</li> </ul>
				Full assurance		
General ledger	5	5	0	✓	✓	
				Full assurance		
HR and Payroll	12	12	0	✓	✓	Our final report was issued in January 2018. No areas for improvement were noted.
				Full assurance		
Treasury management	5	5	0	✓	✓	Our final report was issued in November 2017. No areas for improvement were noted.
				Full assurance		

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Pensions administration	5	0.5	4.5	-	-	The scope of this work has been agreed and testing will be completed during March 2018.
<b><i>Follow up audit activity</i></b>						
<ul style="list-style-type: none"> <li>• Absence management</li> <li>• Tranman stores</li> <li>• Tranman fleet</li> <li>• Operational Assurance Team</li> </ul>	6	1	5	N/A	N/A	Our work on Tranman stores has been completed and our final report issued in February 2018.  Work has commenced in relation to each of the remaining follow up audits, with fieldwork to be completed during March 2018.
<b><i>Other components of the audit plan</i></b>						
Management activity	10	10	0	N/A	N/A	Work in the period has included production of the 2016/17 Annual Report, preparation of the periodic monitoring reports, development of the 2018/19 audit plan and attendance at the meetings of the Audit Committee.
National Fraud Initiative	2	0.5	1.5	N/A	N/A	Time incurred relates to administrative support provided in relation to the National Fraud Initiative exercise and investigation of certain categories of data match.
<b>Total days</b>	<b>80</b>	<b>59</b>	<b>21</b>			

## **Audit assurance levels**

## **Annex 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.