

**Lancashire Combined Fire Authority
Internal Audit Service
Monitoring report for the period ended
15 September 2016**

1 Purpose of this report

- 1.1 The Annual Audit Plan for 2016/17 was approved by the Audit Committee in March 2016. This report details the progress to date in undertaking the agreed coverage, and highlights any significant issues identified from the audit work performed in this period.
- 1.2 This report covers the period 1 April 2016 to 15 September 2016.

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 From the work undertaken to date no issues have been identified that would have implications for the overall control environment.

3 Internal audit work undertaken

- 3.1 Work carried out during the period 1 April 2016 to 15 September 2016 was in accordance with the agreed audit plan. To date, 27 days have been spent this financial year on completion of the 2016/17 plan, equating to 34% of the total planned audit activity of 80 days.
- 3.2 Additionally, we spent a further 8 days during the first quarter of this financial year in completing and finalising reviews outstanding from the 2015/16 audit plan. The findings from these reviews were reported in our 2015/16 Annual Report presented to the Audit Committee in June.

2016/17 plan

Key Financial Systems

- 3.3 Our audit of the Accounts Payable, Accounts Receivable and General Ledger systems is complete and the draft report has recently been issued to management for consideration. A verbal update on progress will be provided to the Committee.
- 3.4 This work has included confirming that action has been taken as agreed in relation to the single action raised in our prior year report on Accounts Payable.

Operational reviews

- 3.5 We have also completed our audit of the operation of the Tranman stores module which went live in April 2016. Based on our review we were able to provide an opinion of substantial assurance.
- 3.6 Our audit has confirmed that staff have been appropriately trained in the use of the system and have access to additional guidance and support if needed; access permissions are appropriately managed and were found to be relevant to a user's needs; there is satisfactory separation of duties between the ordering and receipt of goods and the issue of stock, and controls are in place to ensure that only allowable items can be ordered. As the system was only introduced in April 2016, no formal

stock take has yet been performed, although one is to be undertaken shortly, which will inform the frequency with which future stock takes are undertaken.

- 3.7 There are no significant areas of weakness to note and actions have been agreed with management to address a small number of areas for improvement identified.

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, the variance between the days reported, and 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. We have distilled the assurance into an assessment of the adequacy of each system, and its effectiveness in operation.

System adequacy: We have defined 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 have defined 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 can 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		Key issues/Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
2016/17 Internal audit plan						
Key Financial Systems						
General ledger	5	5	0	-	-	Our composite report covering each of these systems has recently been issued to management for consideration.
Accounts payable	9	9	0	-	-	
Accounts receivable	5	5	0	-	-	
HR and Payroll	9	0	9	-	-	Scheduled for completion later in quarter 3.
Pensions administration	5	0	5	-	-	Scheduled for completion in quarter 4.
Treasury management	5	0	5	-	-	Scheduled for completion in quarter 4.
Operational reviews						
Tranman - Fleet	6	0	6	-	-	Scheduled for completion later in quarter 3.
Absence management	7	0	7	-	-	Scheduled for completion later in quarter 3.
Contingency	8	0	8	-	-	The use of the contingency provision is currently being discussed with management.

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Review area	Audit days			Assurance		Key issues/Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Tranman - Stores	6	6	0	✓	✓	<p>Our report has recently been finalised and two medium and two low residual risk actions have been agreed with management in relation to:</p> <ul style="list-style-type: none"> • The monitoring of calls to the Civica helpdesk; • The provision of i-Trent alerts to the Deputy Head of Procurement; • The completion of an interim stock-take before year end; and • The retention of records associated with mini stock-takes.
				Substantial assurance		
Other areas						
Follow up reviews: Corporate Programme Board PORIS	3	0	3	-	-	Scheduled for completion in quarter 4.
National Fraud Initiative	2	0	2	-	-	No time spent this period.

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Review area	Audit days			Assurance		Key issues/Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Audit management	10	2	8	-	-	Time to date includes: <ul style="list-style-type: none"> • Compilation of the 2015/16 Annual Report; • Attendance at meetings of the Audit Committee; • Production of the Internal Audit Monitoring Reports; and • Update of the Internal Audit Charter.
2016/17 days	80	27	53			

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.