

## **Appendix 1**

**Lancashire Combined Fire Authority**

**Internal Audit Service**

**Monitoring report for the period ended**

**30 June 2018**

## **1 Purpose of this report**

- 1.1 The Internal Audit Plan for 2018/19 was approved by the Audit Committee in March 2018. This report details the progress to date in undertaking the agreed coverage.
- 1.2 This report covers the period 1 April 2018 to 30 June 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 2018 to 30 June 2018 was in accordance with the agreed audit plan. To date, 7 days have been spent this financial year on completion of the 2018/19 plan, equating to 9% of the total planned audit activity of 80 days.
- 3.2 Additionally, we spent a further 10 days during the first quarter of this financial year in completing and finalising reviews outstanding from the 2017/18 audit plan. The findings from these reviews are included in the 2017/18 Annual Report of the Head of Internal Audit presented alongside this report.

### **Sources of assurance**

- 3.3 We have worked in conjunction with the Director of Corporate Services on the development of an assurance map for Lancashire Fire and Rescue Service, which has involved the identification of key sources of assurance, from both within and outside the control of LFRS that contribute to the mitigation of individual risk areas.
- 3.4 We then formed a view, using a RAG rating, as to whether the depth and breadth of the assurance received from the various sources was sufficient and appropriate to the level of risk involved.
- 3.5 The output from the above exercise confirmed that LFRS has sufficient, relevant sources of assurance to satisfactorily manage its risks in order to ensure compliance with the Code of Corporate Governance and achieve overall Service objectives.
- 3.6 Whilst the review has not highlighted any significant weaknesses in the control environment, it identified a small number of areas where we consider that overall control can be improved and actions have been agreed in this regard.

***Overall summary and assurance provided***

- 3.7 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.
- 3.8 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.
- 3.9 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.

Lancashire Combined Fire Authority  
 Internal Audit Service - Monitoring report for the period ended 30 June 2018

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b><i>Governance and business effectiveness</i></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 2018/19 Annual Report of the Head of Internal Audit.
Sources of assurance	10	5	5	Sufficient, relevant assurance is obtained to ensure compliance with the Code of Corporate Governance and to ensure all significant risks are appropriately managed and controlled.		Four actions have been agreed to strengthen the overall control environment in relation to: <ul style="list-style-type: none"> <li>• Ensuring all policies have an assigned owner and a scheduled review frequency.</li> <li>• Considering the need for tender panel members to confirm that they have no conflicts of interest to declare.</li> <li>• Maintaining a record of the dates and findings of the annual review of the register of gifts and hospitality.</li> <li>• Updating the fraud risk assessments on a bi-annual basis.</li> </ul>
<b><i>Service delivery and support</i></b>						
Business Continuity Planning	6	0	6	-	-	Scheduled for quarter 2/3
Contingency	8	0	8	-	-	Scope of this review is to be determined following the HMICFRS inspection.
<b><i>Business processes</i></b>						
Accounts payable	10	0	10	-	-	Scheduled for quarter 2/3
Accounts receivable	5	0	5	-	-	Scheduled for quarter 2/3

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
General ledger	5	0	5	-	-	Scheduled for quarter 2/3
HR and Payroll	10	0	10	-	-	Scheduled for quarter 2/3
Treasury management	5	0	5	-	-	Scheduled for quarter 2/3
Pensions administration	5	0	5	-	-	Scheduled for quarter 3/4
<b>Follow up audit activity</b>						
<ul style="list-style-type: none"> <li>• Rota management</li> <li>• Training, Learning and Development</li> </ul>	4	0	4	N/A	N/A	Scheduled for quarter 3/4
<b>Other components of the audit plan</b>						
Management activity	10	2	8	N/A	N/A	Work in the period has included production of the 2017/18 Annual Report and quarterly monitoring report and attendance at Audit Committee.
National Fraud Initiative	2	0	2	N/A	N/A	No time incurred to date.
<b>Total days</b>	<b>80</b>	<b>7</b>	<b>73</b>			

## **Audit assurance levels**

## **Appendix 1**

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

**Substantial assurance:** the framework of control is adequately designed and/ or effectively operated.

**Moderate assurance:** the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.

**Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.

**No assurance:** there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.