

Lancashire Combined Fire Authority
Internal Audit Service
Monitoring report for the period ended
14 September 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 14 September 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 14 September 2018 was in accordance with the agreed audit plan. To date, 10.5 days have been spent this financial year on completion of the 2018/19 plan, equating to 13% 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 were included in the 2017/18 Annual Report of the Head of Internal Audit.

Work completed to date

- 3.3 Other than the development of an assurance map in conjunction with the Director of Corporate Services, which was reported to Committee at the meeting of the 24 July, no further assignments from the 2018/19 audit programme have been completed to date.
- 3.4 Our audit of Treasury management arrangements has however commenced, and we have agreed the start dates for our work on Accounts Payable, Accounts Receivable and General Ledger audits.
- 3.5 Our review of Business Continuity arrangements, which was originally scheduled for September has been deferred as a result of service priorities resulting from the Winter Hill incident.
- 3.6 In liaison with the Director of Corporate Services, we have agreed that proposals re the use of the contingency provision will be made following the publication of the HMICFRS inspection report, which is scheduled for the autumn.
- 3.7 We are confident that all assignments can be completed within the financial year.

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 Appendix 1.

Use of this report

- 3.11 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 | |
| Governance and business effectiveness | | | | | | |
| 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"> Ensuring all policies have an assigned owner and a scheduled review frequency. Considering the need for tender panel members to confirm that they have no conflicts of interest to declare. Maintaining a record of the dates and findings of the annual review of the register of gifts and hospitality. Updating the fraud risk assessments on a bi-annual basis. |
| Service delivery and support | | | | | | |
| Business Continuity Planning | 6 | 0 | 6 | - | - | Scheduled for October 2018 |
| Contingency | 8 | 0 | 8 | - | - | Scope of this review is to be determined following the publication of the HMICFRS inspection results in autumn 2018. |
| Business processes | | | | | | |
| Accounts payable | 10 | 0 | 10 | - | - | Scheduled for November 2018 |
| Accounts receivable | 5 | 0 | 5 | - | - | Scheduled for November 2018 |

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| Review area | Audit days | | | Assurance | | Comments |
|---|------------|-------------|-------------|-----------|---------------|---|
| | Planned | Actual | Variation | Adequacy | Effectiveness | |
| General ledger | 5 | 0 | 5 | - | - | Scheduled for November 2018 |
| HR and Payroll | 10 | 0 | 10 | - | - | Aim is to complete during quarter 3 |
| Treasury management | 5 | 2.5 | 2.5 | - | - | Fieldwork is progressing |
| Pensions administration | 5 | 0 | 5 | - | - | Aim is to complete during quarter 4 |
| <i>Follow up audit activity</i> | | | | | | |
| <ul style="list-style-type: none"> • Rota management • Training, Learning and Development | 4 | 0 | 4 | N/A | N/A | Aim is to complete during quarter 4 |
| <i>Other components of the audit plan</i> | | | | | | |
| Management activity | 10 | 2.5 | 7.5 | N/A | N/A | Work in the period has included production of the 2017/18 Annual Report and quarterly monitoring reports and attendance at Audit Committee. |
| National Fraud Initiative | 2 | 0.5 | 1.5 | N/A | N/A | Preparation of data for submission to the Cabinet Office re the 2018/19 matching exercise |
| Total days | 80 | 10.5 | 69.5 | | | |

Audit assurance levels

Appendix 1

For 2018-19 we have revised the way in which we categorise our assurance levels. The previous and revised definitions (of equivalent value) are shown below:

| Previous definitions and categories | Revised definitions and categories |
|---|--|
| <p>Full assurance: There is a sound system of internal control which is adequately designed to meet the service's objectives and is effective in that controls are being consistently applied.</p> | <p>Substantial assurance: the framework of control is adequately designed and/ or effectively operated.</p> |
| <p>Substantial assurance: There is a generally sound system of internal control, adequately designed to meet the service's 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.</p> | <p>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.</p> |
| <p>Limited assurance: Weaknesses in the design and/ or inconsistent application of controls put the achievement of the service's objectives at risk.</p> | <p>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.</p> |
| <p>No assurance: Weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service's objectives.</p> | <p>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.</p> |