

## **Appendix A**

**Lancashire Combined Fire Authority**

**Internal Audit Service**

**Monitoring report for the period ended**

**11 January 2019**

## **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 11 January 2019.

### **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 11 January 2019 was in accordance with the agreed audit plan, and to date, 33 days have been spent this financial year on completion of the 2018/19 plan, equating to 41% of the total planned audit activity of 80 days.
- 3.2 This figure does not however reflect the progress made in completion of planned assignments, due to individual savings being made against budgeted audit days.

### ***Work completed to date***

- 3.3 During quarter 1, we worked with the Director of Corporate Services on the development of an assurance map, the results of which was reported to Committee at the meeting of the 24 July.
- 3.4 During quarter 3 we completed our key financial systems work on Treasury management, Accounts payable, Accounts receivable and the General ledger. In each case we were able to provide an opinion of substantial assurance. A strong control framework continues to be maintained across all areas and no significant matters were identified. Where appropriate, we have additionally obtained assurance that the agreed actions from the prior year audits have been appropriately implemented.
- 3.5 Our review of Business Continuity arrangements, is nearing completion, with fieldwork having been completed during December 2018, and the draft report is currently being produced.
- 3.6 In relation to gaining assurance regarding the proper administration of the Fire Pension Schemes, we will, with the approval of the Director of Corporate Services, take our assurance directly from the work performed by the internal auditors of the Local Pensions Partnership Limited.
- 3.7 We have also, following release of the HMICFRS inspection report on the 20 December, liaised with the Director of Corporate Services, regarding the identification of an audit review to utilise the contingency provision with the audit plan. This will

involve audit providing support into a recently scoped Service Delivery Programme item into optimising front line availability.

- 3.8 All remaining assignments still to be completed have been scoped and scheduled as noted in the attached table.

***Overall summary and assurance provided***

- 3.9 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.
- 3.10 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.
- 3.11 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***

- 3.12 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.

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"><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>
Service delivery and support						
Business Continuity Planning	6	5	1	-	-	Our audit fieldwork has been completed and the draft report is currently being produced.
Contingency	8	1	7	-	-	Following liaison with the Director of Corporate Services, we will be providing audit input into a Service Delivery Programme Board project associated with Optimising Frontline Availability.

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Business processes						
Treasury management	5	3	2	✓	✓	Our report was finalised in September.
				Substantial assurance		No areas for improvement were identified.
HR and Payroll	10	0.5	9.5	-	-	Fieldwork is scheduled to start week commencing 21 January.
Accounts payable	10	5	5	✓	✓	Our report covering each of these systems was finalised in November. No areas for improvement were identified. The three actions agreed following completion of our 2017/18 audit have been confirmed as satisfactorily implemented.
				Substantial assurance		
Accounts receivable	5	3	2	✓	✓	
				Substantial assurance		
General ledger	5	3	2	✓	✓	
				Substantial assurance		
Pensions administration	5	0.5	4.5	-	-	For 2018/19 assurance regarding the adequacy and effectiveness of the administration of the Fire Pension schemes will be obtained directly from the work performed by the internal auditors of the Local Pension Partnership Limited.
Follow up audit activity						
<ul style="list-style-type: none"><li>Rota management</li><li>Training, Learning and Development</li></ul>	4	0.5	3.5	N/A	N/A	We are currently liaising with relevant staff to obtain the assurances we require that the agreed actions have been appropriately completed.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Other components of the audit plan						
Management activity	10	4.5	5.5	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	2	0	N/A	N/A	Preparation of data for submission to the Cabinet Office re the 2018/19 matching exercise.
Total days	80	33	47			

## 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
<b>Full assurance:</b> 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.	<b>Substantial assurance:</b> the framework of control is adequately designed and/ or effectively operated.
<b>Substantial assurance:</b> 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.	<b>Moderate assurance:</b> 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.
<b>Limited assurance:</b> Weaknesses in the design and/ or inconsistent application of controls put the achievement of the service's objectives at risk.	<b>Limited assurance:</b> 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.
<b>No assurance:</b> Weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service's objectives.	<b>No assurance:</b> 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.