

Appendix A

Lancashire Combined Fire Authority

Internal Audit Service

Monitoring report for the period ended

20 March 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 20 March 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 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 20 March 2019 was in accordance with the agreed audit plan, and to date, 69 days have been spent this financial year on completion of the 2018/19 plan, equating to 86% of the total planned audit activity of 80 days. A summary of the status of this work is shown below.

Assurance map

- 3.2 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. We concluded that 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.

Key financial systems

- 3.3 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 additionally obtained assurance that the agreed actions from the prior year audits have been implemented.
- 3.4 Similarly, during this period we have completed our work on HR/ Payroll processes, and again provided **substantial** assurance. Valid appointments have been correctly established and the right amount is paid to individuals at the right time. Monitoring arrangements are in place to prevent and detect any anomalies or errors that might arise. A Service Level Agreement (SLA) is in place with Greater Manchester Fire and Rescue Service (GMFRS) which has been signed by both parties. Monthly meetings are held with GMFRS to review each pay run and identify and rectify any issues on a timely basis. Additionally annual meetings are also held to review the SLA and address any performance issues.

Business Continuity

- 3.5 Our review of Business Continuity arrangements was finalised in February 2019, and we provided **moderate** assurance over the business continuity arrangements operated across Lancashire Fire and Rescue Service (LFRS). The Business Continuity Management System in place within LFRS has been aligned to the Business Continuity Institute's Good Practice Guidelines.
- 3.6 An up to date policy is in operation and the critical activities of the Service have been identified. Adequate business continuity plans are in place at a Strategic, Tactical and Operational (Department and Station) level and a business continuity exercise is undertaken annually. Business continuity training was also last provided for members of the Service Management Team in November 2018.

Training, Learning and Development - Follow up

- 3.7 Three medium and three low risk actions were raised in our original report, dated July 2018. Two of these actions have been fully implemented, with one (relating to the review and update of service orders) ongoing. The remaining three actions have been superseded. One of these is due to limitations in the reporting functionality of PDRpro (the system used to record firefighter training), with two no longer being required due to the direct support and guidance currently being provided to firefighters and officers, by the Training and Operational Review team. We are satisfied that the alternative arrangements should address the initial risks our review had identified.

Rota management – Follow up

- 3.8 Two medium and two low residual risk actions were raised in our original report, dated March 2018. Except for one action, which has been superseded, all actions have been appropriately implemented.

Optimising Rota Management

- 3.9 As notified to the committee in January, we have been utilising the contingency provision from the audit plan through the provision of input and support into the *Optimising Rota Management Project* under the governance of the Service Delivery Programme Board. Our involvement in the project is now coming to a close and we are currently producing our draft report.

Pension administration

- 3.10 We will be obtaining assurance regarding the proper administration of the Fire Pension Schemes directly from the work performed by the internal auditors of the Local Pensions Partnership Limited. At the current time, we have not yet received confirmation that this work is complete.

Overall summary and assurance provided

- 3.11 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.
- 3.12 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.

- 3.13 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

- 3.14 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	6	4	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	9	(3)	✓	✓	Our report was issued in February 2019. Two medium and two low residual risk actions were agreed in relation to: <ul style="list-style-type: none"> • The further development and enhancement of the training programme; • The creation of a formal business continuity test schedule; • Updating SO690-Business Continuity; and • Ensuring compliance with the business continuity review schedule.
				Moderate assurance		

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Contingency	8	9	(1)	o/s	o/s	We have been working alongside the Optimising Rota Management project team with the aim of supporting the identification of issues in the current arrangements surrounding management of rotas, detached duties and overtime across the Service, in order to identify how efficiencies can be realised.
Business processes						
Treasury management	5	4	1	✓	✓	Our report was finalised in September. No areas for improvement were identified.
				Substantial assurance		
HR and Payroll	10	9	1	✓	✓	Our report was finalised in February. No areas for improvement were identified.
				Substantial assurance		
Accounts payable	10	7	3	✓	✓	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	4	1	✓	✓	
				Substantial assurance		
General ledger	5	4	1	✓	✓	
				Substantial assurance		
Pensions administration	5	0.5	4.5	o/s	o/s	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.

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Follow up audit activity</i>						
<ul style="list-style-type: none"> Rota management Training, Learning and Development 	4	5	(1)	N/A	N/A	Our work on the follow up assignments was completed in February 2019. Based on the information and explanations provided to us, we are satisfied that except for the actions that had been superceded, all remaining actions have been appropriately implemented.
<i>Other components of the audit plan</i>						
Management activity	10	8.5	1.5	N/A	N/A	Work in the period has included production of the 2017/18 Annual Report, preparation of the quarterly monitoring reports and attendance at Audit Committee, and establishment of the 2019/20 Internal audit Plan.
National Fraud Initiative	2	3	(1)	N/A	N/A	Preparation of data for submission to the Cabinet Office re the 2018/19 matching exercise.
Total days	80	69	11			

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>