

## **Appendix 1**

**Lancashire Combined Fire Authority**

**Internal Audit Service**

**Monitoring report for the period ended**

**6 November 2020**

## **1 Purpose of this report**

- 1.1 The Internal Audit Plan for 2020/21 was approved by the Audit Committee in July 2020. This report details the progress to date in undertaking the agreed coverage and the planned schedule of audit dates for the remainder of the financial year.

## **2 Internal audit work undertaken**

- 2.1 As a result of the Covid-19 pandemic, which resulted in the redeployment of the internal audit service onto activities geared towards the pandemic response, no internal audit activity was carried out between April and mid-September 2020. Since the re-commencement of internal audit activity, our focus has been on agreeing a firm timetable for the individual audit assignments, and commencing our follow up audits and operational reviews.
- 2.2 To date, 7 days have been spent this financial year on completion of the 2020/21 plan, equating to 10% of the total planned audit activity of 70 days.
- 2.3 An outline of the scope and findings from the work completed to date is included in the following paragraphs.

### ***Business Continuity - follow up***

- 2.4 Our previous review (February 2019) considered whether the business continuity arrangements operated across Lancashire Fire and Rescue Service were adequately designed and operating effectively and consistent with the Business Continuity Institute Good Practice guidelines.
- 2.5 Our audit provided *moderate* assurance that the framework of control was adequately designed overall to manage business continuity in the event of a disruptive event. A small number of areas for improvement were identified, primarily around the creation of a test record and expanding the provision of training to Station Managers.
- 2.6 Based on the information and explanations provided to us we are satisfied that all actions have been appropriately implemented.

### ***Home Fire Safety Checks – follow up***

- 2.7 Our initial review (July 2020) examined the effectiveness of the case management arrangements operated by Lancashire Fire and Rescue Service in relation to the scheduling of Home Fire Safety Checks and assessed the adequacy of the arrangements in place to manage demand.
- 2.8 Overall, we provided *moderate* assurance that the framework of control was adequately designed and effectively operated, although some actions were required, primarily around the recording of outcomes to enhance aspects of it and ensure it is operated effectively throughout.
- 2.9 We are pleased to note that each of the actions raised have been satisfactorily implemented.

### 3 Overall summary and assurance provided

- 3.1 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.
- 3.2 We also provide a summary of the assurance we are able to provide in relation to each system or operational area of 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.

- 3.3 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***

- 3.4 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	
<b>Governance and business effectiveness</b>						
Governance, risk management and control arrangements	3	0	3	O/S	O/S	An overall opinion on the adequacy and effectiveness of governance, risk management and control arrangements will be reported as part of the 2020/21 Annual Report of the Head of Internal Audit. The work to support this will be completed during quarter 4.
<b>Service delivery and support</b>						
Safeguarding	10	4	6	O/S	O/S	Audit fieldwork is currently progressing.
Compliance with General Data Protection Regulations and data protection standards	10	0	10	O/S	O/S	We have just commenced our audit scoping and planning arrangements. We have agreed with the client that this work can be progressed this quarter.
<b>Business processes</b>						
Accounts payable	7	0.5	14.5	O/S	O/S	Audit fieldwork is scheduled to start late November.
Accounts receivable	4					
General ledger	4					

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
HR and Payroll	10	0	10	O/S	O/S	We have agreed that this audit will commence in January 2021.
Pensions administration	1	0	1	O/S	O/S	Assurance will be obtained from the work completed by the internal auditors of the Local Pension Partnership Limited, as well as from the annual assurance report, to be prepared by the Local Pensions Partnership Administration Limited in relation to compliance with the Code of Practice 14: Governance and administration of public service pension schemes, issued by the Pensions Regulator in April 2015.
Treasury management	4	0.5	3.5	O/S	O/S	Our audit fieldwork is ready to start, and therefore will be completed this quarter.
<b><i>Follow up audit activity</i></b>						
Business Continuity Planning	1	0.5	0.5	We have obtained appropriate information and evidence to confirm that the two medium and two low risk actions raised in our audit report dated February 2019 have been implemented.		Our audit report was issued in October 2020.

Lancashire Combined Fire Authority  
 Internal Audit Service - Monitoring report for the period ended 6 November 2020

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Home Fire Safety Checks	2	0.5	1.5	We have obtained appropriate information and evidence to confirm that the two medium and four low risk actions raised in our audit report dated July 2020 have been implemented.		Our audit report was issued in November 2020.
Optimising rota management project	1	0	1	N/A		This work is scheduled for completion during quarter 4.
<b><i>Other components of the audit plan</i></b>						
Management activity	10	1	9	N/A	N/A	Work in the period has included: <ul style="list-style-type: none"> <li>• Production of the 2019/20 Annual Report of the Head of Internal Audit; and</li> <li>• Preparation of this quarterly monitoring report.</li> <li>• Reissue of the Internal Audit Charter and Engagement Letter.</li> </ul>
National Fraud Initiative	3	0	3	N/A	N/A	Work during the period has involved support with the data collection process, with data matches being anticipated by the end of January 2021.
<b>Total days</b>	<b>70</b>	<b>7</b>	<b>63</b>			

## Audit assurance levels and residual risks

## 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 overall.

**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.

We categorise the issues we raise in the context of the residual risk to which the service is exposed. The actions are therefore defined as 'extreme', 'high', 'medium' or 'low' in relation to the residual risk they are designed to address and fall into the following categories:

**Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to reputation. *Remedial action must be taken immediately.*

**High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to business or to service users, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to reputation. *Remedial action must be taken urgently.*

**Medium residual risk:** failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*

**Low residual risk:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*