

Appendix 1

Lancashire Combined Fire Authority

Internal Audit Service

Monitoring report for the period ended

26 February 2021

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.

2 Internal audit work undertaken

- 2.1 Work carried out during the period 1 April 2020 to 26 February 2021 was in accordance with the agreed audit plan. To date, 63 days have been spent this financial year on completion of the 2020/21 plan, equating to 90% of the total planned audit activity of 70 days.
- 2.2 An outline of the scope and findings from the work completed to date is included in the following paragraphs.

Key Financial Systems – Accounts payable, Accounts receivable and General ledger

- 2.3 Our report was finalised in December 2020, and opinions of *substantial* assurance were provided across each financial system.
- 2.4 Financial Regulations and relevant policies are in place and up to date, and accessible for all staff to view. Furthermore, the monitoring of expenditure and the recovery of debts is appropriately carried out. These controls contribute significantly to mitigating risks and reducing errors. Segregation of duties is also maintained, and documentation is appropriately authorised.
- 2.5 Expenditure with suppliers is monitored by the Procurement Manager to ensure that tendering arrangements and contracts are in place for supplies or services exceeding the Contract Standing Order threshold.
- 2.6 Of the three low risk actions which were agreed following our 2019/20 review, we found that two have been implemented whilst the remaining action relating to the documented authorisation of a contract extension remains outstanding.

Payroll and Human Resources (HR)

- 2.7 Our report was issued in February 2021, with an opinion of *substantial* assurance.
- 2.8 A strong control environment is maintained over payroll and HR processes, so as to ensure that valid appointments are 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.

Treasury management

- 2.9 Our report was issued in January 2021, and we provided *substantial* assurance over the controls in place surrounding treasury management. The Treasury service at LCC carries out the treasury function for the LCFA in line with the agreed Treasury Management strategy and practices. Investments made on behalf of the LCFA comply with the prudential indicators set out within the strategy and are approved by senior officers and noted by the Resources Committee. Cash flow forecasting is carried out on a daily basis to support investment and borrowing decisions.

Safeguarding

- 2.10 We can provide an opinion of *substantial* assurance that the framework of control is adequately designed and effectively operated overall.
- 2.11 In particular:
- A comprehensive policy and procedure document is in place and accessible, which clarifies the mechanisms for making referrals, the roles and responsibilities of all staff in relation to safeguarding and the data protection rules to adhere to;
 - The designated mailbox for safeguarding referrals is administered by the Prevention Support Team who record and monitor the status of referrals made, also ensuring that they are valid and appropriately completed.
- 2.12 We identified three low residual risk actions, representing areas for improvement, relating to the further rollout of training, ensuring the timely completion of mandatory training and the revisiting of the National Fire Chiefs Council Safeguarding self-assessment checklist.

Business Continuity - follow up

- 2.13 Our previous review in February 2019 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.
- 2.14 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

- 2.15 Our initial review in 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.
- 2.16 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.
- 2.17 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.

Lancashire Combined Fire Authority
 Internal Audit Service - Monitoring report for the period ended 26 February 2021

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Governance and business effectiveness</i>						
Governance, risk management and control arrangements	3	1.5	1.5	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. Our fieldwork is in progress.
<i>Service delivery and support</i>						
Safeguarding	10	14	(4)	✓	✓	Our report was issued in February 2021, with three low residual risk actions being raised.
				Substantial assurance		
Compliance with General Data Protection Regulations and data protection standards	10	12	(2)	O/S	O/S	Our fieldwork is nearing completion.
<i>Business processes</i>						
Accounts payable	7	7	0	✓	✓	Our composite report covering each of these systems was issued in December 2020. No areas for improvement were identified.
				Substantial assurance		
Accounts receivable	4	3.5	0.5	✓	✓	
				Substantial assurance		
General ledger	4	3.5	0.5	✓	✓	
				Substantial assurance		
HR and Payroll	10	7	3	✓	✓	Our report was issued in February 2021. No areas for improvement were identified.
				Substantial assurance		

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Pensions administration	1	0	1	O/S	O/S	Assurance will be obtained 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	6	(2)	✓	✓	Our report was issued in January 2021. No areas for improvement were identified.
				Substantial assurance		
<i>Follow up audit activity</i>						
Business Continuity Planning	1	0.5	0.5	N/A	N/A	Our audit report was issued in October 2020. 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.
Home Fire Safety Checks	2	0.5	1.5	N/A	N/A	Our audit report was issued in November 2020. 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.
Optimising rota management project	1	0	1	N/A	N/A	This work is scheduled for completion later in quarter 4.

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Other components of the audit plan</i>						
Management activity	10	7.5	2.5	N/A	N/A	Work in the period has included: <ul style="list-style-type: none"> • Production of the 2019/20 Annual Report of the Head of Internal Audit; and • Preparation of the Audit Committee monitoring reports. • Reissue of the Internal Audit Charter and Engagement Letter. • Preparation of the 2021/22 Internal Audit Plan. • General management and quality assurance.
National Fraud Initiative	3	0	3	N/A	N/A	Work during the period has involved support with the data collection process.
Total days	70	63	7			

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.*