

Appendix A

Lancashire Combined Fire Authority

**Internal Audit Service monitoring report: period ended
12 November 2021**

1 Purpose of this report

- 1.1 The Internal Audit Plan for 2021/22 was approved by the Audit Committee in March 2021. This report details the progress to date in undertaking the agreed coverage.

Acknowledgements

- 1.2 We are grateful for the assistance that has been provided to us in the course of our work.

2 Key issues and themes arising

- 2.1 No areas of concern have come to our attention in conducting our assurance work to date that requires bringing to the attention of committee members.

3 Internal audit work undertaken

- 3.1 Work carried out during the period 1 April 2021 to 12 November 2021 was in accordance with the agreed audit plan. To date, 39 days have been spent this financial year on completion of the 2021/22 plan, equating to 56% of the total planned audit activity of 70 days.
- 3.2 A summary of the scope and findings for the work completed to date is shown below. We have additionally agreed the timing for commencement of the remaining assignments, and this information is provided in the table at the end of section 4.

Accounts payable, Accounts receivable and General ledger

- 3.3 The audits have considered whether there are adequate and effective controls in place to ensure:
- Compliance with financial regulations and the scheme of delegation.
 - Processes employed for the ordering, receipting and payment of goods and services are appropriate and efficient.
 - Inaccurate, illegitimate or duplicate orders/ invoices are not processed and paid.
 - Invoices are raised on a timely basis for all goods and services provided.
 - Invoices are cancelled or written off appropriately.
 - Debtors are actively managed so as to reduce the level of bad debts and loss of income.
 - Access to the accounting systems is appropriately managed and controlled.
 - There are no unauthorised changes to the accounting records.
 - Financial data is complete, timely and accurate.
- 3.4 Based on our review we can provide an opinion of *substantial* assurance on the three key financial systems. There is a sound system of internal control, adequately designed to meet service objectives, and controls are being applied consistently. A strong control environment continues to be maintained by the finance and procurement teams at LFRS.

Treasury Management

- 3.5 Our audit work sought to assess whether Treasury Management borrowing, and investment activity and reporting has been undertaken in accordance with the approved Treasury Management Strategy and in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Treasury Management Code of Practice.
- 3.6 An opinion of *substantial* assurance was provided, and no areas for improvement were identified.

Training, learning and development

- 3.7 We have completed a review to determine the adequacy and effectiveness of the controls in place to ensure that operational personnel are able to demonstrate ongoing compliance with the competencies required for their role. This involved:
- A review of the Training Plan and Service Orders to ensure they are up to date, relevant and available to all staff.
 - A review of the training schedule to ensure that training takes place in line with it and that any classroom-based training is monitored to ensure absences are recorded and followed up.
 - Reviewing records regarding the completion of core skills.
 - A review of a sample of 'training needs' to ensure that they are identified as they occur and are reflected in training records on a timely basis.
 - A review of the processes and procedures within the Operational Assurance team, to ensure that the team through the Operational Assurance Preparedness visits assess how well operational knowledge obtained is embedded and debriefing takes place.
 - A review of the management reports generated from the relevant IT systems to support managers in ensuring that training is undertaken within designated timescales.
- 3.8 Based on our review we can provide *moderate* assurance over the adequacy and effectiveness of the training, learning and development control framework. Whilst we found that the provision of training and internal assurance arrangements are appropriately structured so as to support firefighters in maintaining the competencies required for their role, we have identified some actions to improve the overall monitoring and reporting arrangements which will provide greater assurance that training is being undertaken appropriately and learning is embedded.

4 Overall summary and assurance provided

- 4.1 We have set out in the table on the following pages the planned and actual days we have spent on each review to date.
- 4.2 We also provide a summary of the assurance we have provided 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.

- 4.3 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

- 4.4 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.

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Governance and business effectiveness						
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 2021/22 Annual Report of the Head of Internal Audit. We have already completed an interim review, which will be completed during quarter 4.
Service delivery and support						
Training, learning and development	12	16	(4)	✓	✓	Our audit report was finalised in August 2021 and four medium and three low residual risk actions have been agreed to enhance the internal review and reporting arrangements in relation to compliance with mandatory training timescales and the recording of training needs, and the formal approval and distribution of the current training plan and policy documents.
				Moderate assurance		
Recruitment	12	1.5	10.5	O/S	O/S	We have completed some internal scoping work and we will be conducting our audit fieldwork during quarter 4.
Business processes						
Accounts payable	7	6.5	0.5	✓	✓	Our audit work across each of these three key financial systems was completed in November 2021. No areas for improvement were identified.
				Substantial assurance		
Accounts receivable	4	3.5	0.5	✓	✓	
				Substantial assurance		
General ledger	4	3	1	✓	✓	
				Substantial assurance		

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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 be conducted during January 2022.
Treasury management	4	4.5	(0.5)	✓	✓	Our review was completed in October 2021. No areas for improvement were identified.
				Substantial assurance		
Pension administration	1	0	1	N/A	N/A	Assurance over pension administration arrangements will be collated and reported during quarter 4.
Follow up audit activity						
Safeguarding	1	0	1	N/A	N/A	This work will be scheduled for completion during quarter 4.
Compliance with GDPR and data protection standards	1	0	1	N/A	N/A	This work will be scheduled for completion during quarter 4.
Other components of the audit plan						
Management activity	8	2	6	N/A	N/A	Work in the period has included: <ul style="list-style-type: none"> • Production of the 2020/21 Annual Report of the Head of Internal Audit; and • Preparation of Audit Committee monitoring reports. • Reissue of the Internal Audit Charter and Engagement Letter. • General management and quality assurance.
National Fraud Initiative	3	0.5	2.5	N/A	N/A	All matches from the current exercise have now been investigated. One error was identified, with no financial impact.
Total days	70	39	31			

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.*