

Appendix A

Lancashire Combined Fire Authority

**Internal Audit Service monitoring report: period ended
10 March 2022**

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 To date, 69 days have been spent this financial year on completion of the 2021/22 plan, 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.

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 An opinion of *substantial* assurance has been provided over these three key financial systems. There is a sound system of internal control, adequately designed to meet service objectives, and controls are being applied consistently.

Payroll and Human Resources

- 3.5 In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Operation of the payroll service
- Managing access to the payroll system and documentation
- Starters: enrolment checks and accuracy of pay

- Leavers
- Amendments to pay
- Routine payroll processing checks

3.6 An opinion of *substantial* assurance has been provided. A strong control environment exists over HR and payroll processes, to ensure that 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, and a good working relationship continues to be maintained with Greater Manchester Fire and Rescue Service who provide a managed payroll system to LFRS.

Treasury Management

- 3.7 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.
- 3.8 An opinion of *substantial* assurance was provided, and no areas for improvement were identified.

Training, learning and development

- 3.9 We 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.
- 3.10 Overall, 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.

Follow up work

- 3.11 Under the Public Sector Internal Audit Standards, management has responsibility for ensuring that agreed actions in audit reports are implemented. Internal Audit should then obtain assurances that actions have been implemented as agreed or that senior management has accepted the risk of not acting.
- 3.12 Our follow up audit work involves obtaining explanations and evidence where appropriate that actions have been implemented. We do not re-perform any testing on controls which were found to be adequately designed and operating effectively at the time of our original review, and neither do we re-assess the overall control environment.

Safeguarding – follow up

- 3.13 Our previous review of Safeguarding considered whether controls in place to support the safeguarding referral process were operating efficiently ensuring that LFRS works effectively with partner agencies to help prevent abuse and neglect and to provide a consistent approach when responding to safeguarding concerns. Also, that Firefighters and staff are able to recognise a person at risk of abuse or neglect in order that appropriate action is taken to protect them from harm should an emergency arise or to focus prevention activity on them.
- 3.14 Our previous audit provided substantial assurance as it was considered that the framework of control was adequately designed and effectively operated overall.
- 3.15 Three low risk actions were agreed with management to address areas identified for improvement. Two of the three actions have been implemented with one still ongoing relating to the delivery of Safeguarding Awareness talks, which are to be delivered to staff.

GDPR – follow up

- 3.16 Our previous audit provided an opinion of moderate assurance. Overall, a good framework of control is in place to support compliance with GDPR, and whilst we did not identify any significant gaps or weaknesses in the adequacy of the design of the overall control framework, we did note that as the production of the Record of Processing Activity was incomplete this created a risk that additional information assets would be identified and further work would be needed to put in place all necessary documentation required to demonstrate compliance with GDPR.
- 3.17 Of the eleven actions agreed with management to address areas for improvement, only three (all low risk/ priority) have been completed to date. Progress has been hampered due to key staff posts being vacated in the time since we completed our review and the remaining team members have largely been unable to progress the work alongside other duties. The post of Knowledge and Information Officer is currently being advertised and it is the intention that responsibility for progressing the outstanding actions will be allocated to the new postholder.

Proposed changes to the audit plan

- 3.18 The internal audit programme for 2021/22 originally included provision for an audit to assess whether recruitment activity adopted a Positive Action approach, and additionally whether on call contracts being offered were commensurate with need.
- 3.19 Whilst the current audit programme continues to include provision for a review of the management of on call firefighter provision, which will seek to assess whether there are appropriate controls in place, that are operating effectively to ensure that stations have sufficient on call cover to provide the required operational response to any incident, the review of recruitment has been deferred until 2022/23 as Covid delayed the application of a Positive Action approach during 2021/22.

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	2	1	In Progress		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. Our interim review will be completed towards the end of this quarter.
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		
Management of On Call provision	12	16	(4)	In Progress		This work is nearing completion and our draft report is being prepared. 1.5 days related to the initial scoping completed for the recruitment audit, now deferred until 2022/23.
Business processes						
Accounts payable	7	6.5	0.5	✓	✓	Our audit work across each of these three key financial systems was completed in
				Substantial assurance		
Accounts receivable	4	3.5	0.5	✓	✓	
				Substantial assurance		

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
General ledger	4	3	1	✓	✓	November 2021. No areas for improvement were identified.
				Substantial assurance		
HR and Payroll	10	8.5	1.5	✓	✓	Our review was completed in January 2022. Two low risk actions were agreed relating to the need to ensure all electronic documents are saved on electronic personal folders, and HR need to remind managers of the need to submit payroll amendments in advance of the date of change to avoid under or overpayments of salary arising.
				Substantial assurance		
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	1	0	O/S	O/S	Assurance over pension administration arrangements will be collated and reported as part of the Annual Report of the Head of Internal Audit.
Follow up audit activity						
Safeguarding	1	1	0	N/A	N/A	Our follow up work was completed during January 2022. Refer paragraphs 3.13 – 3.15.
Compliance with GDPR and data protection standards	1	1	0	N/A	N/A	Our follow up work was completed during February 2022. Refer paragraphs 3.16 -3.17.
Other components of the audit plan						
National Fraud Initiative	3	1	2	N/A	N/A	All matches from the current exercise have now been investigated. One error was identified, with no financial impact. A full analysis will be provided in the Annual Report of the Head of Internal Audit.

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Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Management activity	8	5	3	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. • Preparation of Audit Committee monitoring reports. • Reissue of the Internal Audit Charter and Engagement Letter. • General management and quality assurance.
Total days	70	69	1			

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.*