

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 20 September 2023

Subject: Progress against the Internal Audit Plan 2023/24

Report by: The Treasurer

**Author: Neil Jones, Head of Internal Audit and Assurance Service
Leicestershire County Council**

For: Information Only

Purpose

1. The purpose of this report is to provide the Corporate Governance Committee (the Committee) with an update of progress against the Internal Audit Plan for 2023/24.

Recommendation

2. The Committee is asked to note the report and in particular that:
- a) Three legacy partial assurance report ratings containing high importance recommendations remain outstanding and the ACFO (Service Support) continues to work to bring timely resolutions to these outstanding actions;
 - b) Work is progressing well with the 2023/24 audit plan and is at the stage anticipated for this time of year.

Executive Summary

3. One of the functions of the Corporate Governance Committee is to monitor the adequacy and effectiveness of the internal audit function and, specifically, to monitor progress against the internal audit plan through the receipt of periodic progress reports. Background information on the statutory and constitutional requirements for internal audit, working arrangements and information on assurance gradings is contained in Appendix 2 to this report.
4. The Internal Audit Plan for 2023/24 was approved by the Committee at its meeting on 15 March 2023. Progress against planned work is summarised below and is then reported in more detail in Appendix 1. Updates to the 2023/24 plan are shown in **bold** font.
5. The approved plan identified auditable areas, which also included follow-up on the implementation of high importance recommendations, and an allowance for 'client' management activity (report to committees, planning, advisory etc.). The number of days purchased is 85 days per annum.

6. Three legacy partial assurance reports containing high importance recommendations (Contract Procedure Rules, Key ICT Controls and BACS audits) respectively remain in the Committee's domain as further testing has indicated these have not yet been addressed. Detail is included at paragraph 12 below.

Progress against the 2023/24 Internal Audit Plan:

7. There were ten potential auditable areas within the approved 2023/24 Internal Audit plan. At the meeting of this committee on 13 July 2023, it was agreed that one audit (relating to Learning and Development) would be replaced by an audit of the of the Risk Based Inspection Programme. Of these ten individual pieces of work, progress can be summarised as follows:
 - All prior year (22/23) audits have been completed
 - Two current year audits have been finalised and reported
 - One current year audit is at draft report stage
 - Six current year audits are at various stages of work in progress
 - One current year audit has not yet started

Background

8. The Committee is provided with a summary report of internal audit work undertaken in the period since the last meeting. Where applicable, an individual 'opinion' on each audit assignment is reported, for example to what extent risk is being managed. The four levels of assurance are: full; substantial; partial and little. Further details explaining the levels of assurance are included at Appendix 2.
9. An assurance type audit report containing at least one high importance recommendation (see Appendix 2) would normally be classified as 'partial' assurance. Consulting type audits might also result in high importance recommendations.
10. The current position (and any outcomes) as at 8 September 2023 has been mapped onto the plan agreed by the Committee at its meeting on 15 March 2023. This forms Appendix 1 and is summarised as:

<u>Status of work</u>	<u>Additional Commentary</u>
<p>Eight Prior Year 2022/23 Reports Completed</p> <p><i>Reference in 2023/24 plan is 24/01</i></p>	<ul style="list-style-type: none"> • Safeguarding – 23/02 • Fire Protection – 23/03 • Key Financial Systems – Reconciliations and Balances 2022/23 (*) – 23/04 • Key Financials Payroll (*) – 23/05 • Key Financials Pensions (*) – 23/06 • ICT Controls 2022/23 (*) – 23/07 • Human Resources – 23/10 • Counter Fraud: Bank Mandate Fraud – 23/11
Two audits finalised and reports issued	<ul style="list-style-type: none"> • Counter Fraud National Fraud Initiative – 24/07 – Report stage • Contingency – Emerging Issues – Counter Fraud VAT Numbers – 24/11a
One audit at draft report stage	<ul style="list-style-type: none"> • Contract Procedure Rules and associated Policies and Processes – 24/08
Six audits at various stages of work in progress	<ul style="list-style-type: none"> • Key Financial Systems – Reconciliations and Balances – 24/03 • Key Financials Payroll – 24/04 • Key Financials Pensions – 24/05 • ICT Controls – 24/06 • Human Resources – Recruitment and onboarding processes – 24/09 • Risk Based Inspection Programme (RBIP) – 24/10b
One audit not yet started	<ul style="list-style-type: none"> • ICT System and Process Connectivity – 24/02
One audit where a change to plan has been approved by the committee	<ul style="list-style-type: none"> • Learning and Development 24/10a (replaced with a Risk Based Inspection Programme (RBIP) audit)

* May be utilised by the external auditor in planning their audit risk-assessment and their work in forming an opinion on the CFA's value for money arrangements.

Changes to Plan/Additional Time

11. The approved plan was a statement of intent and whilst every effort will be made to deliver it, it is recognised that this needs to be flexible and it may be

necessary to revise activities in response to changing circumstances or emerging risks. Therefore, during the year, Leicestershire County Council Internal Audit Service (LCCIAS) will report to the Committee any audits that will not be undertaken as part of the 85-day coverage and the rationale for such decisions, including where other lines of defence are deemed sufficient. Any additional audits that have been requested will also be reported. As stated previously, at the meeting of this Committee on 13 July 2023, it was agreed that one audit (relating to Learning and Development) would be replaced by an audit of the of the Risk Based Inspection Programme.

High Importance Recommendations

12. Three partial assurance reports and associated high importance recommendations currently require progress updates to be reported back to the Committee in order to provide assurance that they have been adequately addressed. Updates in respect of these audits are as follows:

<u>Audit Name/Date</u>	<u>Ref</u>	<u>Area of focus/Date for review/date to report back to committee</u>
Contract Procedure Rules	Ref 22-09	<p>The areas we have re-tested relate to:</p> <ul style="list-style-type: none"> • All contract documentation being held on the Blue Light Database (BLPD) • All contracts located or a copy obtained from the supplier • Holding records electronically on the database. • Training procuring managers and administrators • Monitor successful delivery of training • Periodic benchmarking or market testing is completed and retained to ensure value for money when purchasing multi-items from a single supplier with no contract. <p>The collective effect of the control weaknesses in the areas above <u>previously</u> resulted in the original report(s) being a partial assurance rating.</p> <p>A draft follow up report has been issued and a further update will be made to the next Committee as an</p>

		extensive 'requirements assessment' has been led by the ACFO Service Support in order to identify and address all outstanding issues in a timely manner.
ICT Controls 2021/22 (*)	Ref 22/07	<p>The two high importance recommendations in respect of Disaster Recovery (DR), originally due for implementation approximately one year ago, were retested, as part of our 2022/23 coverage and were found to remain outstanding.</p> <p>As notified at the meeting of this Committee on 13 July 2023 the agreed Management plan to address the recommendations is on a staged basis, through to the end of the calendar year. This will mean these two high recommendations will be within the committee's monitoring for several more meetings.</p>
Accounts Receivables – BACS Payment Process	Ref 22/11	<p>This recommendation was followed up as part of our 22/23 Counter Fraud Bank Mandate fraud coverage. There has been an on-going delay in producing an independent non-editable daily report of supplier bank account changes. A report has now been produced in a test environment and will be tested by Internal Audit prior to sign off.</p> <p>Note: Interim checks and controls have been implemented, which provide a certain level of assurance.</p>

Report Implications/Impact

13. Legal (including crime and disorder)

Section 112 of the Local Government Finance Act 1988 requires that the CFA ‘...shall make arrangements for the proper administration of its financial affairs’ and to ensure that ‘...one of its officers has responsibility for the administration of those affairs’. Within the CFA this officer is the Treasurer, and this is reflected in the CFA’s Constitution.

The Accounts and Audit Regulations 2015 require under Part 2 ‘Internal Control’ at Regulation 5(1) that, ‘A relevant authority (including fire authorities) must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

14. Financial (including value for money, benefits and efficiencies)

There are no direct financial implications arising from this report. However, as a result of the work carried out, assurance regarding the operation of key financial systems is gained and there would be an expectation that implementing internal audit recommendations could improve effectiveness, efficiency and economy. – Stuart McAvoy, Head of Finance, Leicester City Council, 0116 454 4004 stuart.mcavoy@leicester.gov.uk

15. Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)

Internal audit provides reassurance that effective governance, risk management and internal control procedures are in place. Internal audit reports are used to inform the Treasurer and the Chief Fire and Rescue Officer of the detailed findings of the audit and highlight actions that are required to safeguard the CFA’s interests.

16. Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

None.

17. Environmental

None.

18. Impact upon Our Plan Objectives

The provision of a robust internal audit function assists both effective and efficient management and good corporate governance. This should assist with meeting the challenges outlined in the CFA’s Finance and Resources and Governance Strategies.

Background Papers

Internal Audit Plan 2023-24 (Corporate Governance Committee - 15 March 2023)

<https://leics-fire.gov.uk/wp-content/uploads/2023/03/item-10-internal-audit-plan-202324.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2023/03/item-10-appendix-internal-audit-plan-for-leicestershire-fire-and-rescue-service-20232024.pdf>

Internal Audit Charter (Corporate Governance Committee - 13 March 2019)

<https://leics-fire.gov.uk/wp-content/uploads/2019/03/the-internal-audit-charter-for-the-cfa-february-2019-1.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2019/03/appendix-1-the-internal-audit-charter-for-the-cfa-february-2019-1.pdf>

Appendices

Appendix 1 - Progress against the Internal Audit Plan 2023/24 as at 8 September 2023

Appendix 2 - Statutory and constitutional requirements and working arrangements

Officers to Contact

Neil Jones, Head of Internal Audit and Assurance Service, Leicestershire County Council

neil.jones@leics.gov.uk

0116 305 7629

Matt Davis, Audit Manager, Leicestershire County Council

Matt.Davis@leics.gov.uk

0116 305 7621

Amy Oliver, Treasurer

Leicester City Council

Amy.oliver@leicester.gov.uk

0116 454 5667