

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 23 July 2024

Subject: Progress against the Internal Audit Plan 2024/25

Report by: The Treasurer

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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 2024/25.

Recommendation

2. The Committee is asked to note the report and that:
 - a) Two legacy partial assurance reports (relating to contract procedure rules and BACS respectively) containing high importance recommendations remain outstanding. These continue to be retested as part of the 2024/25 coverage.
 - b) Work is progressing well with the 2024/25 audit plan and is at the stage anticipated for this time of year.
 - c) From conversations held there are concerns in respect of readiness for addressing the requirements of the Procurement Act 2023 in time for the go live date of 28 October 2024.

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 2024/25 was approved by the Committee at its meeting on 13 March 2024. Progress against planned work is summarised below and is then reported in more detail in Appendix 1.

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. Two legacy partial assurance reports containing high importance recommendations (in respect of Contract Procedure Rules and BACS audits) remain in the Committee's domain as these have not yet been addressed. The detail in respect of this is included at paragraph 13 below.

Progress against the 2024/25 Internal Audit Plan:

7. There were four audits carried over into 2024/25, all of which have been finalised with substantial assurance and these are:
 - Key Financial Systems Reconciliations and Balances
 - Key Financials Payroll
 - Key Financials Pensions
 - Key ICT Controls
8. There were ten potential auditable areas within the approved 2024/25 Internal Audit plan (excluding any brought forward work detailed above or any contingency for emerging issues). Of these ten individual pieces of work, progress can be summarised as follows:
 - Nine current year audits are at various stages of work in progress.
 - One audit has not yet started.

From conversations held relating to proposed testing within the procurement audit (ref 25/9) there are concerns in respect of readiness for addressing the requirements of the Procurement Act 2023 in time for the go live date of 28 October 2024.

Background

9. 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.
10. 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.

11. The current position (and any outcomes) as at 9 July 2024 has been mapped onto the plan agreed by the Committee at its meeting on 13 March 2024. This forms Appendix 1 and is summarised as:

<u>Status of work</u>	<u>Additional Commentary</u>
Prior Year 2023/24 Reports	<p>Reference in 2024/25 plan is 25/01</p> <p>Comprise four final reports all with substantial assurance:</p> <ul style="list-style-type: none"> • Key Financial Systems Reconciliations and Balances 23/24 (Ref 24/03) • Key Financials Payroll 23/24 - (Ref 24/04) • Key Financials Pensions 24/24 - (Ref 24/05) • Key ICT Controls 23/24 – (Ref 24/06)
Nine audits are classified as various stages of work in progress:	<p>ICT System and Process Connectivity (25/02)</p> <p>Key Financial Systems – Reconciliations and Balances (25/03)</p> <p>Key Financials Payroll (25/04)</p> <p>Key Financials Pensions (24/05)</p> <p>ICT Controls (25/06)</p> <p>Counter Fraud National Fraud Initiative (25/07)</p> <p>Contract Procedure Rules and associated Policies and Processes – 25/08</p> <p><i>Note: Revised implementation deadlines for addressing two of the high importance recommendations within this report have not been met and a further two are outstanding but not due for implementation yet – see also paragraph 13</i></p> <p>Procurement – 25/09</p>

	<p><i>See paragraph 8</i></p> <p>Addressing Implications of Pensions Judgements 25/10</p>
One audit not yet started	People Plan – 25/11

* 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

12. Whilst at present there are no changes, the approved plan is 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.

High Importance Recommendations

13. Two 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 and associated policies and procedures	Ref 22-09 (now superseded by Ref 24-08)	<p>There are four recommendations to be addressed, of which two were to be reviewed in the first quarter of the 2024/25 plan. The interim findings in respect of these are:</p> <p><u>Centrally held contracts:</u></p> <ul style="list-style-type: none"> Information remained missing and/or out of date. <p><u>Procurement Training for staff:</u></p>

		<ul style="list-style-type: none"> The Assistant Chief Fire Officer stated that this has not yet been undertaken. <p>In addition to having to follow up the above two areas again, the other two recommendations covering reporting of training undertaken and periodic benchmarking will be carried out in September and December respectively.</p> <p>The Assistant Chief Fire Officer has agreed to give a further verbal update to the Committee regarding procurement matters addressed within this report.</p>
Accounts Receivables – BACS Payment Process	Ref 22/11	Whilst considerable progress has now been made and associated evidence provided, there are supplementary questions that are awaiting a response from officers before this risk can be closed as addressed.

Report Implications/Impact

14. 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’.

15. 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. – Amy Oliver, Treasurer, Leicester City Council
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16. 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.

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

None.

18. Environmental

None.

19. 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 2024-25 (Corporate Governance Committee - 13 March 2024)

<https://leics-fire.gov.uk/wp-content/uploads/2024/03/item-7.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2024/03/item-7-appendix-1.pdf>

Internal Audit Charter (Corporate Governance Committee - 13 March 2024)

<https://leics-fire.gov.uk/wp-content/uploads/2024/03/item-7.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2024/03/item-7-appendix-2.pdf>

Appendices

Appendix 1 - Progress against the Internal Audit Plan 2023/24 as at 9 July 2024

Appendix 2 - Statutory and constitutional requirements and working arrangements.

Officers to Contact

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