

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 15 March 2023

Subject: Progress against the Internal Audit Plan 2022-23

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 2022-23.

Recommendation

2. The Committee is asked to note the report and in particular that:

- a) Eight audits are complete at least to draft report stage (three of which are prior year audits reported previously);
- b) three other legacy partial assurance ratings remain outstanding (although substantial progress has been made)

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 2022/23 was approved by the Committee at its meeting on 9 March 2022. Progress against planned work is summarised below and is then reported in more detail in Appendix 1. Updates 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.
6. Excluding the follow up of high importance recommendations, there were eleven potential auditable areas that were approved (plus three prior year

reports to finalise) resulting in 14 areas in total. Of these 14 individual pieces of work, progress can be summarised as follows:

- All three prior year reports have been completed – this was reported previously
 - Five current year audits have either been completed or completed to draft report stage
 - Six audits are work in progress (see also paragraph 7 immediately below)
7. It is important to note that for varying reasons the six audits that are classified as ‘work in progress’ remain at the appropriate stage in their timetable for delivery, i.e. work not due to have been completed yet/unavoidable delays.
8. Three legacy partial assurance reports and associated high importance recommendations remain within the domain of this Committee. These are in respect of Contract Procedure Rules, Key ICT Controls and BACS audits respectively. Detail is included at paragraph 13 below.

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 1 March 2023 has been mapped onto the plan agreed by the Committee at its meeting on 9 March 2022. This forms Appendix 1 and is summarised as:

<u>Status of work</u>	<u>Additional Commentary</u>
Three Prior Year Reports Completed <i>Reference in 2022/23 plan is 23/01</i>	<ul style="list-style-type: none"> • Workshop Services – original reference 22/1 • ICT Controls 2021/22 – 22/7 • Key Financial Systems – Reconciliations and Balances 2021/22 – 22/3
Two completed areas of work in 2022/23	<ul style="list-style-type: none"> • Counter Fraud: National Fraud Initiative – 23/08 • Emerging Issues Advice – 23/12
Three areas of work	<ul style="list-style-type: none"> • Safeguarding - 23/02 • Fire Protection - 23/03

at draft report stage	<ul style="list-style-type: none"> Human Resources - 23/10
Six areas of work in progress.	<ul style="list-style-type: none"> 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 Contract Procedure Rules and associated Policies and Processes – 23/09 Counter Fraud: Bank Mandate Fraud – 23/11

* 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. 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. At this stage no changes to plan/additional time needs have been identified.

High Importance Recommendations

13. 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>There has been a slight delay in completion of our coverage whilst revised roles and responsibilities for implementation of the previous audit recommendations are confirmed.</p> <p>The areas we are in the process of retesting relate to:</p> <ul style="list-style-type: none"> All contract documentation being held on the Blue Light Database

		<p>(BLPD).</p> <ul style="list-style-type: none"> • 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>It is anticipated that this work will now be complete by quarter 1 of 2023/24.</p>
ICT Controls 2021/22 (*)	Ref 22/07	<p>The two high importance recommendations in respect of disaster recovery are currently being retested as part of our Key ICT Controls - job ref 23/07. A further update will be made to the next meeting of this committee.</p>
Accounts Receivables – BACS Payment Process	Ref 22/11	<p>Whilst a segregation of duties has been established within the BACS process, the management information in respect of bank account changes has been produced but it still requires testing and sign off prior to live roll out.</p> <p>A reason for the delay is currently being sought from Nottinghamshire Fire and Rescue Service who is responsible for creating the report.</p> <p>Note: This lack of reporting has also delayed completion of testing of our counter fraud - bank mandate fraud work (ref 23/11).</p> <p>A further update will be made to the next meeting of this committee.</p>

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. - Colin Sharpe, Deputy Director of Finance, Leicester City Council, 0116 454 4081

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 2022-23 (Corporate Governance Committee - 09 March 2022)

<https://leics-fire.gov.uk/wp-content/uploads/2022/03/item-8-audit-plan-covering-report-2022-23.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2022/03/item-8-appendix-1-internal-audit-plan-2022-23.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 2022/23 as at 1 March 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

0116 454 5667