

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 18 November 2020

Subject: Progress against the Internal Audit Plan 2020-21

Report by: The Treasurer

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

For: Information Only

Purpose

1. To provide the Corporate Governance Committee (the Committee) with an update of progress against the Internal Audit Plan for 2020-21.

Recommendation

2. The Committee is asked to note the progress made against the Internal Audit Plan 2020-21.

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.
4. The Internal Audit Plan for 2020/21 was approved by the Committee at its meeting on 11 March 2020. Progress against planned work is summarised below and is then reported in more detail in Appendix 1. Changes to the previously reported position are presented in bold font.
5. The approved plan identified 10 potential 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. There were 10 potential auditable areas that were approved (plus the follow up of High Importance Recommendations) i.e. 11 areas in total. Of these:
 - 1 audit has been completed to final stage;
 - 1 audit has been completed to draft report stage;
 - 8 are work in progress (see paragraph 7 below);
 - 1 job has not yet commenced
 - 0 have been cancelled

7. It is important to note that 6 of the 7 audits (i.e. excluding any high importance follow up work) that are classified as 'work in progress' are at the appropriate stage in their timetable for delivery i.e. four audits cannot be completed yet as they rely on testing which will cover the first three quarters of the financial year (audits 3, 4, 6 and 8) and two have progressed as far as they can at this stage in the financial year (audits 7 and 9). In addition, the final audit (audit 2) requires further discussion with the incoming Interim Chief Fire and Rescue Officer regarding the approach.
8. Four legacy (2019/20) partial assurance reports and associated high importance recommendations remain within the domain of this Committee. Importantly there are no new partial assurance/high importance recommendations in our 2020/21 coverage to date.

Background

9. The Committee is provided with a summary report of internal audit work undertaken in the period prior to the meeting. Where applicable, an individual 'opinion' on each audit assignment is reported i.e. 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 as at 30 October 2020 (and any outcomes) has been mapped onto the plan agreed by the Committee at its meeting on 11 March 2020. This forms Appendix 1 and is summarised as:

<u>Status of work</u>	<u>Additional Commentary</u>
1 to final report issued	<ul style="list-style-type: none"> • Payroll Replacement – 21 /5
1 to draft report	<ul style="list-style-type: none"> • Covid-19 IT Assurance – 21 /10
8 areas of work in progress	<ul style="list-style-type: none"> • Contract Compliance – Systel - Fire Control Mobilising System – 21 /2 • Key Financial Systems – Reconciliations and Balances (*) – 21 /3 • Key Financials Payroll (*) – 21 /4 • Key Financials Pensions (*) – 21 /6

	<ul style="list-style-type: none"> • Pensions Replacement – 21 /7 • ICT controls (*) – 21 /8 • National Fraud Initiative – 21 /9 • High Importance Recs – N/A
1 not started	<ul style="list-style-type: none"> • Workshop Services – 21 /1
0 cancelled audits	<ul style="list-style-type: none"> • N/A

* = may be utilised by the external auditor.

12. The approved plan was a statement of intent and whilst every effort will be made to deliver it, the Treasurer recognises that it needs to be flexible and be prepared 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. Also any additional jobs that have been requested will be reported.

High Importance Recommendations

13. A total of four partial assurance reports and associated high importance recommendations are currently requiring progress to be reported back to this Committee in order to provide assurance that they have been adequately addressed. All the work relates to the coverage in 2019/20 and there have been no additional partial assurance/high importance recommendations in 2020/21 to date. Progress updates will be reported back to the Committee as detailed below:

<u>Job Name/Date</u>	<u>Ref</u>	<u>Area of focus/Date for review/date to report back to committee</u>
Contract Procedure Rules	N/A - Original Job 20-4	Focus on: <ul style="list-style-type: none"> • Roll out of procurement policies and procedures to budget holders • Storage and accessibility of (signed) contracts • Review of significant payments to individual suppliers to ensure that best prices are being obtained and appropriate frameworks already in place are being used or new contracts are set up if required –

		Subject to final sign off of the original draft report, an update on progress will be given to the March 2021 Corporate Governance Committee (as agreed at the September 2020 meeting)
Change Control – Follow up of High Recommendation	N/A - Original Job 20-8	Change Control through a new Service Desk Management tool – a walkthrough of the tool was undertaken as part of our Covid IT assurance work and it will be tested as part of our Key ICT Controls coverage (update on progress will be given at March 2021 Corporate Governance Committee meeting)

14. As agreed by the Committee in September 2020, coverage of two further legacy 2019/20 partial assurance ratings (in respect of Key Controls Payroll and Key Financial Controls) is to be addressed and contained within the following two jobs detailed in the 2020/21 plan:

<u>Job Name</u>	<u>Ref</u>	<u>Area of focus</u>
Key Financials	Job 20/3	Focus on prompt independent reconciliations – to be followed up in November work for efficiency.
Key Controls Payroll	Job 21/4	Accurate processing of payroll – particularly amendments and pensionable affect – to be followed up in November to allow a sufficient testing sample through the new payroll provider.

Report Implications/Impact

15. 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’.

16. 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

17. 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.

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

There are no staff, service users and stakeholder implications arising from this report.

19. Environmental

There are no environmental implications arising from this report.

20. 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 2020-21 (Corporate Governance Committee - 11 March 2020)

<https://leics-fire.gov.uk/wp-content/uploads/2020/03/internal-audit-plan.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2020/03/appendix-ia-plan.pdf>

Internal Audit Charter (Corporate Governance Committee - 13th 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 2020/21 as at 30 October 2020

Appendix 2 - Statutory and constitutional requirements and working arrangements

Officers to Contact

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