

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 13 March 2024

Subject: Progress against the Internal Audit Plan 2023/24

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 2023/24.

Recommendation

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

- a) One legacy partial assurance report relating to a disaster recovery strategy and associated testing has now been addressed.
- b) Two legacy partial assurance reports (relating to contract procedure rules and BACS respectively) containing high importance recommendations remaining outstanding. These will be retested as part of the 2024/25 coverage.
- c) 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. 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. One further partial assurance rating in respect of ICT Disaster Recovery strategy and testing has been successfully retested and can be closed subject to any comment from the committee. The 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 (excluding any brought forward work). 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:
 - Five current year audits have been finalised and reported
 - Five current year audits are at various stages of work in progress

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 28 February 2024 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>
All Prior Year 2022/23 Reports Completed	<ul style="list-style-type: none"> Reference in 2023/24 plan is 24/01
Five audits finalised and reports issued	<ul style="list-style-type: none"> Counter Fraud National Fraud Initiative – 24/07 Contract Procedure Rules and associated Policies and Processes – 24/08 Human Resources – Recruitment and onboarding processes – 24/09 Risk Based Inspection Programme (RBIP) – 24/10 Contingency – Emerging Issues – Counter Fraud VAT Numbers – 24/11a
Five 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 ICT System and Process Connectivity – 24/02 (<i>note this audit will straddle two financial years at the request of the client</i>)

* 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

- 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 (now superseded by Ref 24-08)	As reported to the November Committee, due to revised implementation dates agreed with the Assistant Chief Fire Officer this work will be picked up as part of our 24/25 Internal Audit coverage
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. Latest progress is:</p> <p>A Recovery Test Strategy has been developed. Internal Audit have been provided with a copy. This can be applied to the relevant system(s) due to be tested. The first DR Test Strategy has been completed for the Firewatch DR testing. Individual DR Test Strategies will then be developed as and when systems are due to be tested.</p> <p>Due to an incident during a generator test, a live DR test had to be undertaken on 2nd January 2024. Following this another DR test was undertaken on 24th January 2024 to ensure that a 'power down' exercise could be undertaken without any systems going offline. This testing was successful. ICT will now ensure that regular DR tests are scheduled to be undertaken.</p>

		Subject to approval from the committee, these high importance recommendations can now be closed down.
Accounts Receivables – BACS Payment Process	Ref 22/11	An amendment to bank accounts report has been developed in a test environment by the developer and will now be rolled out to be tested at Leicestershire and, if successful, will be rolled out into the live environment. A further update will be made to the next meeting of this committee.

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. – Amy Oliver, Treasurer, Leicester City Council
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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 28 February 2024

Appendix 2 - Statutory and constitutional requirements and working arrangements

Officers to Contact

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