

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 22 November 2023

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 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 resolutions to these outstanding actions but there are continued delays;
- 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 (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:
 - Three current year audits have been finalised and reported
 - Seven 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 8 November 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>
All Prior Year 2022/23 Reports Completed	<ul style="list-style-type: none"> • Reference in 2023/24 plan is 24/01
Three audits finalised and reports issued	<ul style="list-style-type: none"> • Counter Fraud National Fraud Initiative – 24/07 • Contingency – Emerging Issues – Counter Fraud VAT Numbers – 24/11a • Contract Procedure Rules and associated Policies and Processes – 24/08
Seven 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 (replaces Learning and Development 24/10a) • ICT System and Process Connectivity – 24/02

* 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 (now superseded by Ref 24-08)	<p>A follow up report (ref 24-08) resulted in the partial opinion remaining due to the collective effect of the control weaknesses in the areas specified below.</p> <p>Signed digital copies of all contracts are centrally held - <i>revised implementation date of April 2024</i></p> <p>Training for all staff with authority to procure goods or services/in a procurement role (existing staff and as part of induction for new starters) - <i>revised implementation date of March 2024</i></p> <p>Monitor and report training levels to management for further action where required - <i>revised implementation date of September 2024</i></p> <p>Periodic benchmarking/market testing for value for money if purchasing multi-items from a single supplier with no contract. - <i>revised implementation date of December 2024</i></p> <p>Reason for further delay is predominantly due to the time needed to:</p> <ul style="list-style-type: none"> • Appointment a new post of the Contracts and Procurement Officer. • Embed redesigned training in a revised induction process/associated monitoring

		<ul style="list-style-type: none"> • Balance capacity with desire to address in a meaningful and sustainable 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. Latest progress is:</p> <p>Draft DR Test Strategy/Plan document (addressing recommendation 1) has been developed and is currently on track to be finalised by the agreed date of November 2023.</p> <p>Actual testing of the DR Test Strategy/Plan (covering recommendation 2) was originally planned to be completed in December 2023. It has now been confirmed that this will slip into early 2024 as resources have been required to be directed to the Mobilisation Replacement Project.</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. Due to continued delays in producing an independent non-editable daily report of supplier bank account changes a decision has now been made to source this directly from the software vendor. A revised date for implementation will be given once known</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 November 2023

Appendix 2 - Statutory and constitutional requirements and working arrangements

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