

Meeting: Corporate Governance Committee

Date: 24th January 2018

Subject: Progress against the Internal Audit Plan 2017-18

Report by: The Treasurer

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

For: Noting

1. Purpose

To receive an update of progress against the Internal Audit Plan for 2017-18.

2. Recommendations

The Corporate Governance Committee is asked to note the report and to refer any observations to the CFA, CFRO or Treasurer as they see fit.

3. Executive Summary

3.1. One of the functions of the Corporate Governance Committee (the 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 and working arrangements is contained in Appendix 2.

3.2. The Internal Audit Plan for 2017-18 was approved by the Committee at its meeting on 15th March 2017. Progress against planned work is summarised below, and is then reported in more detail in Appendix 1.

3.3. The approved plan identified 21 potential auditable areas (including follow up on the implementation of high importance recommendations) and an allowance for 'client' management (report to committees, planning, advisory etc). It is important to note that if we completed all of these pieces of work it would take circa 120 days, however the number of days purchased was originally 85 days, but with an additional 10 days purchased for a commissioned piece of work.

Of the 21 potential auditable areas that were approved:

- 9 jobs (7 newly reported this time) have been completed to final report stage
- 1 (newly reported) is at draft report stage
- 4 are work in progress including follow up on HI recommendations
- 7 are areas where either the audit is postponed pending further

work/direction by the client (2); cancelled because alternative assurance either has or will be obtained from elsewhere (3) or merged into other audits (2).

3.4 There is presently no reason why the remaining areas of work defined above should not be completed in order to provide adequate assurance coverage in 2017/18.

4. Report Detail

4.1. 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. An assurance type audit report containing at least one high importance (HI) recommendation (see Appendix 2) would normally be classified as ‘partial’ assurance. Consulting type audits might also result in high importance recommendations.

4.2 The current position (11 January) and any outcomes have been mapped onto the plan agreed on 15th March 2017. This forms **Appendix 1**.

This can be summarised as:

<u>Status of work</u>	<u>Additional Commentary</u>
9 final reports (Pages 2-7)	<p>Performance Management (18/2) – Partial Assurance</p> <p>Declarations of Interest/Gifts & Hospitality (18/3) – Partial Assurance</p> <p>General Data Protection Regulation (GDPR) (18/4) – Substantial Assurance</p> <p>Transparency Reporting (18/5) – Substantial Assurance</p> <p>Risk Management Report (18/10) – Substantial Assurance</p> <p>Procurement (18/12) – Partial Assurance</p> <p>Expenses report (18/16) - Substantial Assurance</p> <p>National Fraud Initiative (18/17) – Opinion N/A</p> <p>Fire-fighter Pensions – Roles & Responsibilities report (18/18) – Consultancy with 2 High Importance Recommendations.</p>
1 draft report (Pages 2-7)	Key financial Systems (18/13)

<u>Status of work</u>	<u>Additional Commentary</u>
4 areas of work in progress (pages 8-9)	Key Financials Payroll (18/14) ICT Controls (18/15) Pensions Calculations (18/21) High Importance Recommendations (18/21)

4.3 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 its activities in response to changing circumstances or emerging risks, therefore pages 10 to 11 detail jobs that will not be undertaken as part of the 85 day coverage and the rationale for such decisions including where other lines of defence (defined in the Appendix) are operating. These auditable areas of work were explained in more detail in the previous progress report and will be reviewed further as part of the risk assessment process for formulating the 2018/19 Internal Audit Plan. Page 12 details the potential substitute jobs if any jobs on the agreed plan could not be executed. Obviously it has not been necessary to undertake these substitute jobs and so they are only included for completeness.

5. Report Implications / Impact

5.1. *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’.

5.2. *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, Head of Finance, Leicester City Council, 0116 454 4081

5.3. ***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.

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

None

5.5. ***Environmental***

None

5.6. ***Impact upon Our Plan Objectives***

The CFA's Strategic Objective 4 is the attainment of efficiency and the provision of a value for money service. The provision of an internal audit function assists both effective and efficient management and good corporate governance. It also externally validates the CFA's progress in this area.

6. Background Papers

Internal Audit Plan 2017-18 (Corporate Governance Committee - 15th March 2017)

Internal Audit Charter (Corporate Governance Committee - 15th March 2017)

7. Appendices

1. Progress against the Internal Audit Plan 2017-18 as at 11th January 2018
2. Background to statutory & constitutional requirements and working arrangements