

**Status of Report:** Public

**Meeting:** Corporate Governance Committee

**Date:** 13 March 2019

**Subject:** Progress against the Internal Audit Plan 2018-19

**Report by:** The Treasurer

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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 2018-19.

### **Recommendation**

2. The Committee is asked to note the report and to refer any observations to the Combined Fire Authority, Chief Fire Officer (CFO) or Treasurer as they see fit.

### **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 and working arrangements is contained in Appendix 2.
4. The Internal Audit Plan for 2018/19 was approved by the Committee at its meeting on 14 March 2018. Progress against planned work is summarised below and is then reported in more detail in Appendix 1.
5. The approved plan identified 12 potential auditable areas, which included follow up on the implementation of high importance recommendations, and an allowance for 'client' management (report to committees, planning, advisory etc.). The number of days purchased is 85 days.
6. Of the 12 potential auditable areas that were approved:
  - 10 jobs have been completed to final stage;
  - 2 jobs have been completed to draft report stage;
  - 0 are work in progress.
7. In addition, the Committee has previously been informed that a follow up of the implementation of two high importance recommendations in respect of Key ICT Controls coverage for 2017/18 was not included in the original plan because

the job itself was a final quarter report and the high importance recommendations were not known at that stage. Follow up of these two high importance recommendations is being addressed as part of our Key ICT Controls coverage for 2019/20.

8. One of the two high importance recommendations in respect of our 2017/18 Key ICT Controls coverage remains outstanding as does the partial assurance in respect of the 2017/18 procurement audit.
9. At present it remains anticipated that this additional follow up review can be undertaken within the 85 days procured.

## Background

10. 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.
11. 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.
12. The current position as at 25 February 2019 and any outcomes have been mapped onto the plan agreed on 14 March 2018. This forms Appendix 1 and is summarised as:

<u>Status of work</u>	<u>Additional Commentary</u>
10 to final issued	<ul style="list-style-type: none"> <li>• Performance Monitoring (19/1)</li> <li>• Declaration of Interests/Gifts and Hospitality (19/2)</li> <li>• General Data Protection Regulation - GDPR (19/3)</li> <li>• HMICFRS Readiness Audit (19/4)</li> <li>• Key financial systems (19/6)</li> <li>• Key Financials Payroll (19/7)</li> <li>• Key Financials Pensions (19/8)</li> <li>• National Fraud Initiative (19/10)</li> <li>• Fire-fighter Pensions – Roles and Responsibilities (19/11)</li> <li>• Fire-fighter Pensions – Pensions Calculations (19/12)</li> </ul>
2 to draft report	<ul style="list-style-type: none"> <li>• Procurement (19/5)</li> </ul>

	<ul style="list-style-type: none"> <li>• ICT controls 2018-19 (19/9)</li> </ul>
0 areas of work in progress	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

13. 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 course of the year Leicestershire County Council Internal Audit Service (LCCIAS) will report to the Committee 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. To date, no such jobs have been identified. The final page of Appendix 1 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 to date and so they are only included for completeness.

#### High Importance Recommendations

14. Regarding the Key ICT Controls audit from 2017-18, the purchase, installation and training in respect of a Network Access Controller (NAC) has been fully implemented. A second recommendation in respect of ICT Change Controls has been partially implemented with the full implementation now being subject to the purchase of a new ICT Service Desk application that will fully control the request and implementation of ICT changes. We will therefore pick this up again as part of our 2019/20 coverage (absorbed into our Key ICT Controls coverage). However there remains an interim risk that ICT Changes are not adequately controlled.
15. As at the date of publication of this report (25 February), though much progress has been made, it has not been possible to close off the procurement partial assurance status. A verbal update of the latest position will be made to the Committee at its meeting on 13 March and recorded in the minutes for the meeting.

#### **Report Implications/Impact**

16. 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'.

17. 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

18. 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.

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

None.

20. Environmental

None.

21. 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 2018-19 (Corporate Governance Committee - 14 March 2018)

<https://bit.ly/2wztX0e>

<https://bit.ly/2wvxuxo>

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

<https://bit.ly/2wzAPL5>

<https://bit.ly/2wrBZsy>

## **Appendices**

Appendix 1 - Progress against the Internal Audit Plan 2018/19 as at 25 February 2019

Appendix 2 - Background to statutory and constitutional requirements and working arrangements

## **Officers to Contact**

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