

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 18 September 2019

Subject: Progress against the Internal Audit Plan 2019-20

Report by: The Treasurer

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For: Information Only

Purpose

1. To provide the Corporate Governance Committee (the Committee) with an update of progress against the Internal Audit Plan for 2019-20.

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 for internal audit, working arrangements and information on assurance gradings is contained in Appendix 2.
4. The Internal Audit Plan for 2019/20 was approved by the Committee at its meeting on 13 March 2019. Progress against planned work is summarised below and is then reported in more detail in Appendix 1.
5. The approved plan identified 11 potential auditable areas, which 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. Of the 11 potential auditable areas that were approved:
 - 1 job has been completed to final stage;
 - 1 job has been completed to draft report stage;
 - 7 are work in progress;
 - 2 have not yet started

In addition, there has also been ad hoc advisory work undertaken in respect of an acceptable usage policy (see appendices for full details of what this work covered).

7. It is important to note that all 7 jobs that are classified as work in progress are at the appropriate stage in their timetable for delivery i.e. Four jobs cannot be completed yet as they rely on testing which will cover the first three quarters of the financial year and three are either being delivered in accordance with the planned timetable or slightly early.

Background

8. 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.
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 as at 1 September 2019 (and any outcomes) has been mapped onto the plan agreed by the Committee at its meeting on 13 March 2019. 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"> • Key Financials Payroll (20/6 A)
1 to draft report	<ul style="list-style-type: none"> • National Fraud Initiative (20/9)
7 areas of work in progress	<ul style="list-style-type: none"> • General Data Protection Regulation/Data Protection Act Compliance (20/1) • Risk Management (20/2) • Contract Procedure Rules (20/4) • Key financial systems – Reconciliations and Balances (20/5) • Key Financials Pensions (20/7) • ICT controls (20/8) • Emerging Issues (20/11)

2 to be started	<ul style="list-style-type: none"> • HMICFRS Audit (20/3) • HMICFRS Audit – Readiness Audit (20/10)
Ad-hoc advice	<ul style="list-style-type: none"> • Acceptable Usage Policy

11. 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 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. To date, no such jobs have been identified although for the two HMICFRS Jobs (20/3 & 20/10) re-scoping will need to be considered and scoping may change for three jobs where precise coverage is yet to be agreed (Key Financials Reconciliations and Balances (20/5), Key Financials Pensions (20/7) and Emerging Issues (20/11)).
12. The final page of Appendix 1 details potential substitute jobs that will be undertaken if any jobs on the agreed plan cannot be executed. For reasons specified below, (in respect of high importance recommendations) there is considered a need to undertake further testing in respect of the work for quarter one covering the Payroll System. The days required in order to carry out re-testing will be taken from the re-scoping of the two planned jobs that have not been started yet in respect of the HMICFRS inspection process (Jobs 20/3 and 20/10 respectively).

High Importance Recommendations

13. Despite re-testing in quarter one, the partial assurance rating in respect of the Payroll System could not be lifted, therefore additional follow-up work will be required in quarter 4.
14. As agreed previously by this Committee, coverage of the other two legacy 2018/19 partial assurance ratings (in respect of Key ICT Controls and Procurement) are being addressed within the following two jobs detailed in the 2019/20 plan:

Job Name	Ref	Area of focus
ICT Controls 19/20	Job 20/8	Change Control through a new service desk application
Contract Procedure Rules	Job 20/4	Revised policy and procedures for procurement have been fully embedded within the service

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, Head 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)

None.

19. Environmental

None.

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 2019-20 (Corporate Governance Committee - 13 March 2019)

<https://leics-fire.gov.uk/wp-content/uploads/2019/03/internal-audit-plan-2019-20-1.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2019/03/appendix-1-internal-audit-plan-2019-20-1.pdf>

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

<https://leics-fire.gov.uk/wp-content/uploads/2016/06/item-09-internal-audit-charter-v-sl.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2016/06/item-09a-appendix-the-revised-internal-audit-charter.pdf>

Appendices

Appendix 1 - Progress against the Internal Audit Plan 2019/20 as at 1 September 2019

Appendix 2 - Statutory and constitutional requirements and working arrangements

Officers to Contact

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