

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 10 March 2021

Subject: Progress against the Internal Audit Plan 2020-21

Report by: The Treasurer

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

For: Information Only

Purpose

1. The purpose of this report is to provide the Committee with an update of progress against the Internal Audit Plan for 2020-21.

Recommendation

2. The Committee is asked to note the report and to refer any observations to the Combined Fire Authority, Interim 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 2020/21 was approved by the Committee at its meeting on 11 March 2020. Progress against planned work is summarised below and is then reported in more detail in Appendix 1. Changes to the previously reported position are typed 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.
6. There were ten potential auditable areas that were approved (plus the follow up of High Importance Recommendations) so eleven areas in total. Of the ten individual pieces of work progress can be summarised as follows:
 - Seven audits have been completed to final stage;
 - Three are work in progress (see also paragraph 7 immediately below);

7. It is important to note that for varying reasons all three of the audits that are classified as 'work in progress' remain at the appropriate stage in their timetable for delivery - two of the three audits will straddle two financial years (jobs 1 and 8) and the other audit (job 3) will be completed by the end of this financial year.
8. Four legacy (2019/20) partial assurance reports and associated high importance recommendations remain within the domain of this Committee. Importantly there are no new partial assurance/high importance recommendations in the 2020/21 coverage to date.

Background

9. 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.
10. 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.
11. The current position as at 22 February 2021 (and any outcomes) has been mapped onto the plan agreed by the Committee at its meeting on 11 March 2020. This forms Appendix 1 and is summarised as:

<u>Status of work</u>	<u>Additional Commentary</u>
7 to final report issued/advisory work complete	<ul style="list-style-type: none"> • Contract Compliance – Systel - Fire Control Mobilising System - 21/2 • Key Financials Payroll (*) - 21/4 • Payroll Replacement - 21/5 • Key Financials Pensions (*) – 21/6 • Pensions Replacement - 21/7 • National Fraud Initiative – 21/9 • Covid-19 IT Assurance – 21/10
3 areas of work in progress	<ul style="list-style-type: none"> • Workshop Services – 21/1 • Key Financial Systems – Reconciliations and Balances (*) - 21/3 • ICT controls (*) – 21/8

* = may be utilised by the external auditor.

Virements/Additional Time

12. 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 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. It will also report any additional jobs that have been requested. It should be noted that additional 20/21 time has been spent on some jobs as per the table below:

<u>Job Name and Reference</u>	<u>Reason for additional time</u>
Contract Procedure Rules (N/A – Follow up of a partial assurance)	Turnover of LFRS staff/work not complete
Key Financials 19/20 (Job 3)	COVID delayed work into 20/21
Key ICT Controls 19/20 (Job 8)	COVID delayed work into 20/21
COVID-19 Controls (Job 10)	Additional piece of work *2
Payroll Replacement Project (Job 5)	Larger scope than originally planned *2
COVID ICT Assurance (Job 10)	Commissioned additional piece of work *2

*2 = Time offset by viring time from 'emerging issues' already into the 20/21 plan

Whilst all jobs in the plan are either complete or work in progress, the following two jobs will now straddle the two financial years in order to ensure sufficient coverage

- Workshop Services – 21/1
- ICT controls 20/21 (*) – 21/8

High Importance Recommendations

13. A total of four partial assurance reports and associated high importance recommendations are currently requiring progress updates to be reported back to the Committee in order to provide assurance that they have been adequately addressed. All the work relates to coverage in 2019/20 and there have been no additional partial assurance/high importance recommendations in 2020/21 to date. Updates in respect of these audits is as follows:

<u>Job Name/Date</u>	<u>Ref</u>	<u>Area of focus/Date for review/date to report back to committee</u>
Contract Procedure Rules	N/A - Original Job 20-4	<ul style="list-style-type: none"> • Whilst considerable progress has been made in respect of this work, the service is not yet in a position where it would be able to have this retested • Internal Audit has requested that it can test this in the first quarter of 21/22 so that it can report back progress to the Committee at its meeting on 14 July 2021
Change Control – Follow up of High Recommendation	N/A - Original Job 20-8	<ul style="list-style-type: none"> • Change Control through a new Service Desk Management tool – a walkthrough of the tool was undertaken as part of the Covid IT assurance work and it will be tested as part of the Key ICT Controls coverage • An update on progress was due to be given at this Committee, however this piece of work will now be completed in the first quarter of 21/22 and therefore will be reported back to the meeting on 14 July 2021.

14. As agreed by this Committee in September 2020, coverage of two further legacy 2019/20 partial assurance ratings (in respect of Key Controls Payroll and Key Financial Controls) were to be addressed and contained within the following two jobs detailed in the 2020/21 plan:

<u>Job Name</u>	<u>Ref</u>	<u>Area of focus/update</u>
Key Financials	Job 20/5	Focus on prompt independent reconciliations – to be followed up within the 20/21 Key Financial coverage (Job 8) – this job remains ‘work in progress’ as at the date of publication of this report and therefore will be reported to the meeting on 14 July.
Key Controls Payroll	Job 20/6	Accurate processing of payroll – particularly amendments and pensionable affect – this was followed up in 20/21 Key Financial Payroll coverage (Job 4) and substantial assurance was given and therefore this specific partial assurance rating has been lifted and is no longer required to be reported to this Committee.

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, Deputy Director 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 2020-21 (Corporate Governance Committee - 11 March 2020)

<https://leics-fire.gov.uk/wp-content/uploads/2020/03/internal-audit-plan.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2020/03/appendix-ia-plan.pdf>

Internal Audit Charter (Corporate Governance Committee - 13th 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 2020/21 as at 22 February 2021

Appendix 2 - Statutory and constitutional requirements and working arrangements

Officers to Contact

Neil Jones, Head of Internal Audit and Assurance Service, Leicestershire County Council

neil.jones@leics.gov.uk

0116 305 7629

Matt Davis, Audit Manager, Leicestershire County Council

Matt.Davis@leics.gov.uk

0116 305 7621

Colin Sharpe, Treasurer

colin.sharpe@leicester.gov.uk

0116 454 4081