



CORPORATE GOVERNANCE COMMITTEE
20 FEBRUARY 2015

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
INTERNAL AUDIT SERVICE PROGRESS REPORT

Purpose of Report

1. The purpose of this report is to:
 - (a) Give a summary of Leicestershire County Council's Internal Audit Service (LCCIAS) work finalised since the last report to the Committee and report where high importance recommendations have been made;
 - (b) Provide an update on the County Solicitor's report on the investigation into allegations concerning the conduct of the former Leader of the County Council, Mr David Parsons, regarding his use of County Council resources and action to be taken to recover costs incurred;

Background

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the system of internal audit, which is provided by Leicestershire County Council's Internal Audit Service (LCCIAS). To do this, the Committee receives periodic reports on progress against the annual Internal Audit Plan. The Committee is also tasked with monitoring the implementation of high importance recommendations.
3. Most planned audits undertaken are of an 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. Other planned audits are of a 'consulting' type, which are primarily advisory and allow for guidance to be provided to management. These are intended to add value, for example, by commenting on the effectiveness of controls designed before implementing a new system. Also, unplanned 'investigation' type audits may be undertaken.

Summary of progress against the Internal Audit Plan 2014-15

4. This report covers audits finalised during the period 1 November 2014 to 31 January 2015.

5. Eight maintained schools were audited in the period. Three received opinions of '*...well above the (measured) standard*', four received opinions of '*...above the standard*' and one of '*...reached the standard*'.
6. The individual opinions are found on the LCCIAS web page. The web link is:- http://www.leics.gov.uk/audit_schools_colleges.htm
7. The outcome of all other audits completed since the last progress report to the Committee is shown in **Appendix 1**. For assurance audits, the 'opinion' is what level of assurance can be given that material risks are being managed. There are four classifications of assurance: full; substantial; partial; and little. A report that has a high importance recommendation would not normally get a classification above partial.
8. **Appendix 2** details high importance (HI) recommendations and provides a short summary of the issues surrounding these. The relevant manager's agreement (or otherwise) to implementing the recommendation and implementation timescales is shown. Recommendations that have not been reported to the Committee before or where LCCIAS has identified that some movement has occurred to a previously reported recommendation are shown in **bold font**. Entries remain on the list until the auditor has confirmed (by specific re-testing) that action has been implemented.
9. To summarise movements within Appendix 2: -
 - a. One new HI recommendation (Children and Family Services (C&FS) request for Health and Safety information) has been added;
 - b. Two HI recommendations have been closed (Adults and Communities (A&C) Liquidlogic Adults System (1 of 4) and Corporate Resources (CR) Employee annual leave recording)
 - c. Implementation dates for eight HI recommendations have been further 'extended' to allow for stabilisation or progression of arrangements and pending the conclusion of a follow up audit (A&C Liquidlogic Adults System (3 of 4) C&FS Sponsored Academies (2), CR 'M-Star' (2) and CR Pension Fund Contribution Banding)
 - d. Regarding the three HI recommendations in respect of developer contributions (s106) that are listed on the last page (7) of the Appendix as 'on hold', the Head of Internal Audit Service is in ongoing discussions with the County Solicitor and senior Corporate Resources managers to align what work needs to be done now (current compliance) and in the short term future (a re-assessment of the Authority's approach).
10. Some planned audits of payables and receivables functions in Adults and Communities were postponed whilst efforts were underway by Strategic Finance staff to strengthen the respective control environments. Internal Audit resource was instead used to assist with investigating and rectifying errors.

Update on the County Solicitor's report on investigation into allegations concerning a former Member's conduct

11. Mr Parsons paid the remaining sum owing (£660.00 including £160.00 Court costs) on 5 December. The County Solicitor is now satisfied that the debt has been fully discharged.

Resource Implications

12. None

Equal Opportunities Implications

13. There are no discernible equal opportunities implications resulting from the audits listed.

Recommendation

14. That the contents of the report be noted.

Background Papers

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 12 May 2014 - Internal Audit Plan for 2014-15

Reports to the Corporate Governance Committee on 15 May and 29 June 2012 – Response to a request for an audit by Mr G.A. Boulter c.c. and reports to the Corporate Governance Committee on 14 June, 23 September and 25 November 2013 and 10 February, 12 May, 23 September and 24 November 2014 – Investigation into allegations concerning a former Members' conduct

Circulation under the Local Issues Alert Procedure

None.

Officer to Contact

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Appendices

- Appendix 1 - Summary of Final Internal Audit Reports issued during the period 1 November 2014 to 31 January 2015
Appendix 2 - High Importance Recommendations

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