

CORPORATE GOVERNANCE COMMITTEE
12 JUNE 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 since the last report to the Committee and report where high importance recommendations have been made;
 - (b) Provide brief information on a concluded special investigation.

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 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 the final position against 2014-15 audits as at 29 May 2015.
5. The outcome of audits completed since the last progress report to the Committee is shown in **Appendix 1**. The 'opinion' is what level of assurance can be given that material risks are being managed. There are four classifications: full; substantial; partial; and little. A report with at least one high importance recommendation would normally be classified as 'partial'.

6. At the end of the financial year there is inevitably work in progress and because of increasing service pressures, it is becoming more the norm that there isn't a definitive 'closure' on 31st March each year. Where the auditor's work has been quality reviewed by an Audit Manager and there's confidence that the opinion given will be acceptable to management, then it is shown in the appendix (draft issued). Two 'draft issued' reports contain draft high importance (HI) recommendations. The detailed findings and recommendations will not appear in Appendix 2 (see below) until the reports are finalised.
7. Where the auditor's file is still under review, then the opinion is not shown in order to reflect that management has yet to accept any findings and recommendations (draft pending).
8. Some opinions are recorded as 'consulting'. This is generally where the auditor is giving ongoing and regular advice and commentary on proposed design of processes and systems. The final batch of opinions 'Provide resource' indicate where auditors have assisted with clearing errors and backlogs in financial systems. This is explained in full in the HoIAS' Annual Report elsewhere on this agenda.
9. **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.
10. To summarise movements within Appendix 2: -
 - a. Two new HI recommendations (E&T Resource Allocation System) have been added;
 - b. Eight HI recommendations have been closed (C&FS Health & Safety in maintained schools, A&C Liquid Logic Adults System (3), C&FS Sponsored Academies (2) and CR 'M-Star' (2)).
 - c. Regarding the longstanding HI on CR Pension Fund Contribution Banding, the HoIAS has removed it from the Appendix after assurances gained from the Head of EMSS, Senior Users at both partner organisations and the Head of Audit at Nottingham City that it will form part of a bigger review of controls.
 - 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 HoIAS 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).

Summary information on a concluded special investigation

Adults & Communities – Theft of Lunch Club Income

11. It may have recently come to Members' attention that following charges of theft of £3,205, a former volunteer organiser at a County Council lunch club that previously operated in Melton Mowbray, was found guilty at Leicester Crown Court and was given an eight-month prison term, suspended for two years, and a three month curfew order. The person had been a member of Melton Borough Council (MBC) throughout the period of the theft, but had resigned before the court case.
12. The case had been referred to the Police after Internal Audit Service had concluded an investigation commissioned by the Assistant Director (Strategy and Commissioning) in Adults and Communities (A&C). The investigation had involved interviewing A&C staff and management and communicating with MBC staff that had supported the running of the lunch club. Records were analysed to ascertain the value of monies that had likely been collected but not banked.
13. The investigation found that A&C staff had concerns that money collected for meals provided hadn't been banked quite early into the person's tenure as volunteer organiser, but the concerns were not followed up with any real rigour, although the volunteer organiser was evasive. The situation was compounded by no reconciliation of the values of meals provided to income banked; and ineffective budgetary control. Whilst some attempts were made by A&C over a period of two years to recover monies due to the County Council, these were through informal agreements and there was naivety that monies collected had been stolen.
14. Due to changes in the funding arrangements with lunch clubs, no further action has been taken internally within A&C and no further audit work is planned in this area in 2015/16.

Resource Implications

15. None

Equality and Human Rights Implications

16. There are no discernible Equality and Human Rights implications resulting from the audits listed.

Recommendation

17. 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

Circulation under the Local Issues Alert Procedure

None.

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Appendices

- Appendix 1 - Summary of 2014-15 Internal Audit Service work final position at 29 May 2015
- Appendix 2 - High Importance Recommendations