

**CORPORATE GOVERNANCE COMMITTEE**  
**12 JUNE 2015**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**INTERNAL AUDIT SERVICE – ANNUAL REPORT 2014-15**

**Purpose**

1. To provide the Committee with an annual report on work conducted by the Internal Audit Service. It is then intended to distribute the report to all members of the Council.

**Background**

2. The Chief Financial Officer (CFO) has delegated responsibility for arranging a continuous internal audit. Under the County Council's Constitution, this Committee is required to monitor the adequacy and effectiveness of Leicestershire County Council Internal Audit Service (LCCIAS). One of its specific functions is to consider the Head of Internal Audit Service's (HoIAS) annual report.

**Internal Audit Service Annual Report**

3. LCCIAS must conform to the United Kingdom Public Sector Internal Audit Standards (PSIAS) and the accompanying CIPFA Local Government Advisory Note (LGAN). Together, these documents constitute proper practices to satisfy the requirements set out in the Accounts and Audit Regulations 2011 to 'undertake an adequate and effective internal audit of accounting records and of the system of internal control'.
4. The PSIAS require the HoIAS to provide an annual report to 'the Board' timed to support the annual governance statement. The Internal Audit Charter defines the Corporate Governance Committee as the Board and recognises that it should formally approve the HoIAS' annual report.

5. The annual report must include:
  - a. an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment
  - b. a summary of the audit work from which the opinion is derived
  - c. a comparison of the work actually undertaken with the work that was planned including a summary of the performance of the internal audit function
  - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)
  - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement
6. The annual report for 2014-15 is provided in **appendix 1**. Although not a PSIAS requirement, the annual report has traditionally been made available to all members of the County Council. The report includes the HoIAS opinions on the overall adequacy and effectiveness of the Council's control environment (the framework of governance, risk management and internal control). The opinions are also contained in the draft Annual Governance Statement.
7. **Annex 1** provides detail on how the annual internal audit opinion was formed, defines the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.
8. **Annex 2** lists the audits undertaken during the year in the respective control environment components (governance, risk management and internal control). The list also contains the individual audit opinion and whether there were any high importance recommendations
9. Headlines from the report are: -
  - a. Reasonable assurance sub-opinions were given for the governance and risk management components of the control environment.
  - b. Reasonable assurance was given that the County Council's core financial practices remain strong, but only limited assurance could be given that internal controls were operating effectively in the newly implemented Adults & Communities financial system.
  - c. The majority of audits conducted returned substantial assurance ratings
  - d. 81% of planned jobs were achieved with a relatively small carry over but twelve cancellations
  - e. Budget performance and customer satisfaction was positive
  - f. Taking responsibility for the Annual Governance Statement and risk management has impacted on internal audit activity but provided more information for the HoIAS opinion.
  - g. LCCIAS abides by the principles of the PSIAS but there is need for some key improvements before full 'conformance' can be claimed. This is the only matter required to be reported in the Annual Governance Statement.

## **Resource Implications**

10. The Section's expenditure is contained within the Corporate Resources Department's agreed budget.

## **Equalities and Human Rights Implications**

11. There are **no specific** equal opportunities implications contained within the annual summary of work undertaken.

## **Recommendations**

12. That the Committee **notes** the Internal Audit Service annual report for 2014-15.
13. That the Committee **notes** that reference to actions needed to facilitate full conformance to PSIAS is contained in the Annual Governance Statement for 2014-15.

## **Background Papers**

The Constitution of Leicestershire County Council  
Accounts and Audit Regulations (Amendment) 2011  
The Public Sector Internal Audit Standards 2013

## **Circulation under Local Issues Alert Procedure**

None

## **Officer to Contact**

Neil Jones	Telephone	0116 305 7629
Head of Internal Audit Service	Email	<a href="mailto:Neil.Jones@leics.gov.uk">Neil.Jones@leics.gov.uk</a>

## **List of Appendices**

- Appendix 1 - Internal Audit Service Annual Report 2014-15
- Annex 1 - The Head of Internal Audit Service's Annual Opinion on the overall adequacy and effectiveness of the control environment 2014-15
- Annex 2 - Summary of Internal Audit Service work supporting the HoIAS 2014-15 opinion