

CORPORATE GOVERNANCE COMMITTEE
25 SEPTEMBER 2015

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE PROGRESS REPORT

Purpose of Report

1. The purpose of this report is to 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.

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 2015-16

4. This report covers the position as at 15 September 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 usually four classifications: full; substantial; partial; and little. A report with at least one high importance recommendation would normally be classified as 'partial'. The same assurance rating/opinions are now used for maintained schools audits.

6. Notwithstanding the above, on this occasion the Head of Internal Audit Service (HoIAS) has determined that two audits (Debt Write Off - validation of circumstances and Contract Dashboard) should be scored as only able to provide reasonable assurance that material risks are being managed. This describes that collectively there were a number of key recommendations but none of them individually scored high importance. Nevertheless, the HoIAS will monitor actions against these recommendations.
7. The report style has been changed to provide senior management with a headline summary of any findings, risks and recommendations. More detail is provided for operational management. 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). If a quality review hasn't yet been undertaken, 'draft pending' is recorded but the assurance rating is still to be confirmed.
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. Three new HI recommendations (E&T SEN transport risk assessments) have been added;
 - b. Implementation dates for two HI recommendations (E&T Resource Allocation System) have been extended to allow for a period of settling down after a review and reorganisation
 - c. The Head of Planning and Historic and Natural Environment in the Chief Executive's Department recently concluded a review of the Authority's approach to the developer contributions (s106) process (recorded in the Corporate Risk Register). A detailed action plan containing eleven recommendations was produced. The HoIAS is satisfied that the actions adequately cover the context of the three longstanding Internal Audit HI recommendations from an audit concluded in February 2012, and so they have been removed from Appendix 2.

Resource Implications

10. None

Equality and Human Rights Implications

11. There are no discernible equality and human rights implications resulting from the audits listed.

Recommendation

12. That the contents of the report be noted.

Background Papers

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 12 June 2015 - Internal Audit Plan for 2015-16

Circulation under the Local Issues Alert Procedure

None.

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Appendices

- Appendix 1 - Summary of Internal Audit Service work at 15 September 2015
- Appendix 2 - High Importance Recommendations