

CORPORATE GOVERNANCE COMMITTEE
19 FEBRUARY 2016

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE PROGRESS REPORT

Purpose of Report

1. The purpose of this report is to: -
 - a. provide a summary of progress against the Internal Audit Plan 2015-16
 - b. report on progress with implementing high importance recommendations
 - c. report the outcome of a special investigation undertaken

Background

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the internal audit function, 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.
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 guidance to management. These 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 5 February 2016. There remains a considerable amount of work in progress.
5. The outcome of audits completed since the last progress report to the Committee is shown in **Appendix 1**. For assurance audits an 'opinion' is given i.e. what level of assurance can be given that material risks are being managed. There are usually four levels: full; substantial; partial; and little. A report with at least one high importance recommendation would normally be classified as 'partial'.

6. Where the auditor's work has been quality reviewed by an Audit Manager and there is confidence that the opinion given will be acceptable to management and is unlikely to change, then it is shown in the appendix (draft issued).
7. LCCIAS also undertakes consulting/advisory type audits. Examples include advice, commentary on management's intended control design and framework and potential implications of changes to systems, processes and policies. Where these have incurred a reasonable amount of resource they are now also included in Appendix 1.

Progress with implementing high importance recommendations

8. The Committee is also tasked with monitoring the implementation of high importance recommendations. **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. There have not been any new HI recommendations over the last three months.
 - b. E&T - SEN transport risk assessments. The proposed implementation dates for the three HI recommendations are not yet due. Nevertheless, assurances have been given that progress is already being made.
 - c. E&T - Resource Allocation System. Whilst there has been some progress, the implementation dates for the two HI recommendations have been further extended due to resourcing issues which will be addressed in the Department's reorganisation

Special investigation outcome

10. An administrative employee obtained instant cash for their personal benefit from a 'money shop' but was thwarted in a second attempt. Investigations revealed a cheque book had been ordered by the employee and kept on their person. Other cash and financial records were missing and there had been only one payment into bank of monies collected. Petty cash account reconciliations had been fabricated and a bank statement forged.
11. The Police arrested the employee who was charged with (and admitted to) three 'Fraud by False Representation' and one 'Theft by Employee' offences. The employee appeared at Leicester Magistrates Court, pleaded guilty and received a community service order with an additional compensation order. After the criminal trial, a disciplinary hearing was held but the employee did not attend. They were dismissed without notice.

12. Management has reviewed processes and re-established controls. Internal Audit Service will test in the near future that they are being consistently applied.

Resources Implications

13. None

Equality and Human Rights Implications

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

Recommendation

15. 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 5 February 2016
Appendix 2 - High Importance Recommendations