



## **CORPORATE GOVERNANCE COMMITTEE – 13<sup>th</sup> MAY 2016**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **INTERNAL AUDIT SERVICE – ANNUAL REPORT 2015-16**

##### **Purpose of the Report**

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's 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. Part 2, 'Internal Control' of the revised Accounts and Audit Regulations (2015) provide at section 5, 'Internal Audit', that "*A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*".
4. The relevant standards are the United Kingdom Public Sector Internal Audit Standards (PSIAS) and the guidance is provided by the accompanying CIPFA Local Government Advisory Note (LGAN).
5. 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.

6. 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.
  
7. The annual report for 2015-16 is provided in the **Appendix** to this report. 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.
  
8. **Annex 1** to the Appendix 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.
  
9. **Annex 2** to the Appendix 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.
  
10. 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 was given that internal controls were operating effectively in two financial systems supporting Adults and Communities functions;
  - c. The majority of audits conducted returned substantial assurance ratings;
  - d. 89% of planned jobs were achieved with a relatively small carry over, but a relatively large number of cancellations;
  - e. Budget performance was slightly below requirement;
  - f. Customer satisfaction was very positive;
  - g. LCCIAS continues to abide by the principles of the PSIAS, but there is need for some improvements before full 'conformance' can be claimed.

**Resource Implications**

11. The Internal Audit Service budget was marginally overspent but that was contained within the Corporate Resources Department's agreed budget.

**Equal Opportunities Implications**

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

**Recommendations**

13. That the Committee notes the Internal Audit Service annual report for 2015-16.

**Background Papers**

The Constitution of Leicestershire County Council  
 Accounts and Audit Regulations (Amendment) 2015  
 The Public Sector Internal Audit Standards 2013  
 The Internal Audit Plan 2015-16

**Circulation under Sensitive Issues Procedure**

None

**Officer to Contact**

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**List of Appendices**

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|----------|---|--|
| Appendix | - | Internal Audit Service Annual Report 2015-16   |
| Annex 1  | - | The Head of Internal Audit Service's Annual Opinion on the overall adequacy and effectiveness of the control environment 2015-16 |
| Annex 2  | - | Summary of Internal Audit Service work supporting the HoIAS 2015-16 opinion  |

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