



**CORPORATE GOVERNANCE COMMITTEE**  
**26 MAY 2017**

**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 2016-17;
  - b. report on progress with implementing high importance recommendations.

**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 2016-17**

4. This report covers the position with 2016-17 work at 12 May 2017.
5. The outcome of audits completed since the last progress 'cut off' (3 February 2017) reported to the Committee on 17 February is shown in **Appendix 1**. For assurance audits (sides 1 and 2 of the Appendix) 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'. Audits of grants, and returns to government are not graded.

6. LCCIAS also undertakes consulting/advisory type audits (side 2). Where these incur a reasonable amount of resource they are also included. Examples include advice, commentary on management's intended control design and framework and potential implications of changes to systems, processes and policies.
7. This section refers to work undertaken by auditors reviewing, challenging and advising on Information Security Risk Assessments (ISRA). Information and technology (I&T) plays a critical role for all services provided by the Council. Therefore, it is vital that I&T risks are effectively identified, assessed, managed and reviewed at the appropriate times. As has been seen in the recent World-wide cyber-attacks, failure to identify, assess and mitigate I&T risks can lead to serious data breaches, non-compliance with legislation, financial losses and disruption to business activities. The increase in cyber-crime should be taken into account. The Council is not immune to cyber-attacks and needs to take all necessary steps to identify and mitigate the risks associated with an attack.
8. Side 3 includes a table listing investigation work concluded in the period. Also, the table headed 'Other control environment' gives a flavour of where internal auditors are being utilised to challenge and improve governance, risk management and internal control processes which ultimately strengthens the overall control environment.
9. Finally, side 4 shows where Internal Audit Service staff has assisted colleagues in other functions to investigate claims and clear financial system volume.

### **Progress with implementing high importance recommendations**

10. 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.
11. To summarise movements within Appendix 2: -
  - a. **New** - C&FS – Mandatory training. Progress already underway.
  - b. E&T - SEN transport risk assessments. Further internal audit testing remains planned for October 2017.

**Resources Implications**

12. None

**Equality and Human Rights Implications**

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

**Recommendations**

14. That the contents of the report be noted.

**Background Papers**

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 13 May 2016 - Internal Audit Plan for 2016-17

**Circulation under the Local Issues Alert Procedure**

None.

**Officer to Contact**

Neil Jones, Head of Assurance Services (Head of Internal Audit Service)

Tel: 0116 305 7629

Email: [neil.jones@leics.gov.uk](mailto:neil.jones@leics.gov.uk)

**Appendices**

- Appendix 1 - Summary of Internal Audit Service work undertaken between 4 February and 12 May 2017
- Appendix 2 - High Importance Recommendations

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