



## **CORPORATE GOVERNANCE COMMITTEE**

**23 APRIL 2018**

### **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 2017-18;
  - b. report on progress with implementing high importance recommendations;
  - c. update on the Internal Audit Plan 2018-19.

##### **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 2017-18**

4. This report covers the position with 2017-18 work as at 6 April 2018. The outcome of audits completed since the last progress 'cut off' (12 January 2018) reported to the Committee on 29 January is shown in **Appendix 1**.
5. For assurance audits (pages 1 and 2 of Appendix 1) 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. 'Partial' ratings are normally given when the auditor has reported at least one high importance recommendation, which would be reported to this Committee and a follow up

audit would ensue to confirm action had been implemented. Occasionally, the auditor might report a number of recommendations that individually are not graded high importance but collectively would require a targeted follow up to ensure improvements have been made.

6. LCCIAS also undertakes consulting/advisory type audits (page 3). 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. Page 4 records: -
  - a. Where LCCIAS either undertakes or assists with unplanned investigations. These are not reported to the Committee until the final outcome is known;
  - b. 'Other control environment/assurance work', which gives a flavour of where internal auditors are utilised to challenge and improve governance, risk management and internal control processes which ultimately strengthens the overall control environment;
  - c. Where LCCIAS auditors are utilised to undertake work assisting other functions.

### **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 update 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. **New** – C&FS – Iveshead School visit;
  - b. A&C - Area office safes – progressing. Follow up in June;
  - c. A&C - Direct Payments Cards - Progressing new agreements. Audit of completed and draft report issued;
  - d. **Closed** - E&T - SEN transport risk assessments. - The Department confirmed at the end of March that the backlog had been cleared. Resource has been diverted to clearing a much smaller backlog of less risky adult social care risk assessments.

### **Internal Audit Plan 2018-19**

10. Over the last quarter of 2017-18, the Head of Internal Audit Service (HoIAS) especially, as well as other senior LCCIAS staff have been subject to a range of pressures that have delayed the production of the Internal Audit Plan for 2018-19. These include: -
  - a. The finalisation of the arrangements to provide Leicester City Council's internal audit function and the associated impacts of integrating staff that have TUPE transferred and inductions etc;
  - b. The start of a service review to ensure the merged team is fit for the future;
  - c. Preparation for and taking part in the external peer review required under the Public Sector Internal Audit Standards.
  
11. The HoIAS has discussed the position with the Director of Corporate Resources and it has been agreed to postpone the publication of the 2018-19 plan until the Committee's July meeting, notwithstanding there is already work underway.
  
12. A slight delay will allow the HoIAS to improve and modernise the planning exercise to: -
  - a. Utilise information collected as part of the AGS preparation allowing for a better overall assurance picture;
  - b. Utilise information in the most up to date risk registers;
  - c. Devise more flexibility in plans perhaps;
  - d. Spend time meeting with Directors and their management teams to understand their service pressures and assurance needs;
  - e. Attain peer internal audit functions risk 'hot-spots';
  - f. Investigate different ways of auditing e.g. greater use of data analytics.
  
13. Work is already underway on the above and progress is being monitored by the Director of Corporate Resources.

### **Resources Implications**

14. None

### **Equality and Human Rights Implications**

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

### **Recommendations**

16. That: -
  - a. the contents of the routine update report be noted
  - b. the Committee acknowledges the delay in producing the 2018-19 Internal Audit Plan

**Background Papers**

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 26 May 2017 - Internal Audit Plan for 2017-18

**Circulation under the Local Issues Alert Procedure**

None.

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**Appendices**

- Appendix 1 - Summary of Internal Audit Service work undertaken between 13 January and 6 April 2018
- Appendix 2 - High Importance Recommendations