



CORPORATE GOVERNANCE COMMITTEE
23 APRIL 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2017-18

Purpose

1. To provide the Corporate Governance Committee (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, the Committee is required to monitor the adequacy and effectiveness of Leicestershire County Council 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 Accounts and Audit Regulations (2015) provides 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) revised in April 2017, 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 2017-18 is provided in the **Appendix**. Although not a PSIAS requirement, the annual report will be 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 AGS.
8. **Annex 1** provides detail on how the annual internal audit opinion was formed, defines types of audits, the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.
9. **Annex 2** lists the audits undertaken during the year. For assurance audits the individual audit opinion is given. The Annex also contains details of other relevant work undertaken.
10. **Annex 3** shows the HoIAS self-assessment of conformance to the PSIAS and **Annex 4** shows the revised Quality Assurance & Improvement Programme (QAIP) and actions required in 2018-19.
11. Headlines from the report are: -
 - a. Reasonable assurance sub-opinions were given for all three of the governance, risk management and internal control components of the control environment;
 - b. The majority of assurance audits conducted returned substantial assurance ratings. Those where less assurance was given will be subject to further audit scrutiny;
 - c. 74% of jobs were completed by the date of this report, with a relatively small carry over;
 - d. Days provided reduced and this will be addressed with recruitment in 2018-19;
 - e. There was a significant budget underspend;
 - f. Customer satisfaction remained positive;
 - g. A peer review has reported that LCCIAS generally conforms to the PSIAS. This is the top rating.

Resource Implications

12. The Internal Audit Service budget was considerably underspent due to vacancies, and additional income. The vacancies have not significantly affected coverage but will be rectified in 2018-19

Equality and Human Rights Implications

13. There are **no specific** equality and human rights implications contained within the annual summary of work undertaken.

Recommendations

14. That the Committee **notes** the Internal Audit Service annual report for 2017-18.

Background Papers

The Constitution of Leicestershire County Council
 Accounts and Audit Regulations (Amendment) 2015
 The Public Sector Internal Audit Standards (revised from April 2017)
 The Internal Audit Plan 2017-18

Circulation under Local Issues Alert Procedure

None

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List of Appendices

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| Annex 1 | The HoIAS Annual Opinion on the overall adequacy and effectiveness of the control environment 2017-18 |
| Annex 2 | Summary of Internal Audit Service work supporting the HoIAS 2017-18 opinion |
| Annex 3 | Summary self-assessment of conformance with PSIAS |
| Annex 4 | Quality Assurance & Improvement Programme (QAIP) - 2018 |

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