



CORPORATE GOVERNANCE COMMITTEE - 25 JULY 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 for 2017-18 and of work conducted in 2018-19;
 - (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 2017-18

4. This report covers the position with closing off 2017-18 work and 2018-19 audits as at 6 July 2018. The outcome of audits completed since the last progress 'cut off' (6 April 2018) reported to the Committee on 23 April 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 then confirm action had been implemented. Occasionally, the auditor might report a number of recommendations that individually are not graded as high importance, but collectively would require a targeted follow up to ensure improvements have been made.
6. LCCIAS also undertakes consulting/advisory type audits (pages 3 and 4 of Appendix 1). 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. Pages 5 to 7 of Appendix 1 record: -
 - Where LCCIAS either undertakes or assists with unplanned investigations. These are not reported to the Committee until the final outcome is known;
 - '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;
 - Where LCCIAS auditors are utilised to undertake work assisting other functions. None occurred during this period.

Progress with implementing high importance recommendations

8. The Committee is 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:
 - **New** – Public Health Clinical Governance Framework
 - **Extended** - A&C - Area office safes – almost complete. Follow up to end of September.
 - **Closed** - C&FS – Iveshead School visit; A&C - Direct Payments Cards; Public Health Clinical Governance Framework.

Resources Implications

10. None

Equality and Human Rights Implications

11. There are no discernible equal opportunities implications resulting from the audits listed.

Recommendations

12. That the contents of this report and the update now provided be noted.

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 7 April and 6 July 2018

Appendix 2 - High Importance Recommendations

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