



CORPORATE GOVERNANCE COMMITTEE - 24 OCTOBER 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 work conducted during the period 7 July to 12 October 2018;
 - b. report on progress with implementing high importance recommendations;
 - c. provide a brief update on the Internal Audit Service's resources.

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 2018-19

4. This report provides in **Appendix 1** a summary of work undertaken between 7 July and 12 October 2018.
5. For assurance audits (page 1 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 (pages 2 and 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. This quarter, a considerable number of information security risk assessments were reviewed and comments provided back to the Information Governance Service. Internal Audit is only required to review and comment on higher graded risk, but the volume reflects the level of change underway at the Council.
7. Pages 4 and 5 record: -
 - a. Where LCCIAS either undertakes or assists with unplanned investigations. These are not reported to the Committee until the final outcome is known; whilst two were started, no investigations were concluded this quarter.
 - 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. An Audit Manager assisted a department in a grievance matter.

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** – none
 - b. **Extend** - A&C - Area office safes – Officers are conducting regular checks but an audit check will be undertaken.
 - c. **Closed** – none

Internal Audit Service Resources

10. At the 25 July Corporate Governance Committee meeting, the HoIAS provided an outline of how Service resources were to be replenished. Unfortunately, since that date, there will be two staff that will require long absences for medical treatment. This is very unusual for such a small team and this eventuality could not be planned for. On a positive note, whilst there was a delay in recruiting the CIPFA graduate trainee a post has now been offered. Nevertheless, in order to ensure that a sufficient level of overall assurance can be given, the HoIAS is actively exploring internal audit frameworks with the intention to 'call off' experienced auditors from accredited suppliers. Whilst this is the first time in many years such an approach has been required, it is a fairly common occurrence in other local authority internal audit functions.

Resource implications

11. Costs incurred from purchasing agency staff will be met from staffing budgets not used.

Equality and Human Rights Implications

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

Recommendation

13. That the contents of the routine update report be noted

Background Papers

The Constitution of Leicestershire County Council
Report to the Corporate Governance Committee on 25 July 2018 - Internal Audit
Plan for 2018-19

Circulation under the Local Issues Alert Procedure

None.

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Appendices

- Appendix 1 - Summary of Internal Audit Service work undertaken between
7 July and 12 October 2018
Appendix 2 - High Importance Recommendations

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