



## CORPORATE GOVERNANCE COMMITTEE - 18 JANUARY 2019

### 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 13 October 2018 to 4 January 2019;
  - 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. Internal audit staff also undertake other control environment related work.

##### Summary of progress against the Internal Audit Plan 2018-19

4. This report provides in **Appendix 1** a summary of work undertaken between 13 October 2018 and 4 January 2019.
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. Once more, a number of information security risk assessments were reviewed and comments provided back to the Information Governance Service.
7. Page 4 informs of: -
  - a. Where LCCIAS either undertakes or assists with unplanned investigations. These are not reported to the Committee until the final outcome is known. This quarter, another investigation was started and two small scale investigations were concluded.
  - 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 in interviews for senior finance staff.
8. In order to remain effective, LCCIAS staff regularly attend training and development events and both midlands and national internal audit network events. A summary of events attended during the last quarter is shown on page 5 of Appendix 1.

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

9. 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.

10. To summarise movements within Appendix 2: -
- a. **New** – none.
  - b. **Extend** - A&C - Area office safes – progress made but further unannounced internal audit checks will be undertaken.
  - c. **Closed** – none.

### **Internal Audit Service Resources**

11. At the meeting of the Corporate Governance Committee on 24 October, the HoIAS reported on vacancies within the Service as well as two unplanned long term (medical treatment) absences, both of which were temporarily effecting the Services timely completion of audits. The Committee requested a further update on this point. In respect of the two absences, one member of staff has now been able to return to work. However, the other case is far more complex but this is being managed in the normal way. The current position within the Section has improved since the update to the Committee, as the finance placement appointed in the summer is now actively undertaking audits with less supervision being required. Additionally a CIPFA trainee started in early December and has quickly grasped the expectations of the role. Also, there is potential to utilise a member of staff currently operating in another Council function who is trained in the use of the data extraction and analysis tool (IDEA) used by LCCIAS which is being considered. If successful, this solution would provide a valuable resource, and potentially guidance/training to new users from the internal audit function.
12. Pending completion of a review of the staffing structure to align to current (and future) demand, the HoIAS continues to explore different mechanisms to replenish resources. Job descriptions and person specifications have been lodged with the Council's appointed agency resource provider, but to date interest has been disappointing. Action to make a permanent appointment is being taken and this will likely generate more interest. In the immediate term, an exercise is underway to map remaining audits in order to approach (and buy in from) accredited suppliers listed on internal audit frameworks necessary officers with appropriate expertise to complete this work.
13. Despite these recent staffing issues, work within the Service is still progressing although subject to decisions to prioritise or postpone some audits. This will improve as the measures proposed to appoint staff, either temporarily or permanently, over the coming months come to fruition. The position continues to be monitored and regular updates are provided to the Director of Corporate Resources. A further update will also be provided to this Committee, as appropriate.

### **Resource implications**

14. There are no resource implications arising directly from this report. Any costs incurred from purchasing agency staff and the recruitment of any new permanent officers will be met from existing staffing budgets not currently being used.

**Equality and Human Rights Implications**

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

**Recommendation**

16. 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.

**Officer to Contact**

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**Appendices**

- Appendix 1 - Summary of Internal Audit Service work undertaken between  
13 October 2018 and 4 January 2019  
Appendix 2 - High Importance Recommendations