



CORPORATE GOVERNANCE COMMITTEE
12 JUNE 2020

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2019-20

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) revised in April 2019.
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 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 2019-20 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 opinion.

HoIAS opinion: Prior to the onset of the coronavirus, the Council's control environment was in a steady state. The build-up and immediate impact of the coronavirus was significant, of adverse nature and unique in character. However, no significant governance, risk management internal control failings have come to the HoIAS' attention therefore reasonable assurance is given that the Council's control environment overall has remained adequate and effective.

The opinion will also be 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 April 2020 self-assessment of conformance to the PSIAS.
11. The HoIAS has chosen not to review Quality Assurance & Improvement Programme (QAIP) until the Service is re-imagined as part of developing its 'new normal' state.
12. Headlines from the report are: -
 - a. Despite the impact of the coronavirus pandemic late in the financial year, the HoIAS opinion remained positive.
 - b. Most assurance audits conducted returned substantial assurance ratings. Those where less assurance was given will continue to be subject to further audit scrutiny.

- c. Most work was completed by the date of this report, with a relatively small carry over.
- d. Days provided increased slightly, but this will continue to be a priority to be addressed with further recruitment in 2020-21.
- e. There was a budget underspend.
- f. Customer satisfaction remained positive.
- g. The HoIAS self-assessed that LCCIAS continues to generally conform to the PSIAS.

Resource Implications

- 13. The Internal Audit Service budget was underspent primarily due to not filling vacancies and long-term absences. This has not significantly affected coverage but will be rectified in 2020-21.

Equal Opportunities Implications

- 14. There are **no specific** equal opportunities implications contained within the annual summary of work undertaken.

Recommendations

- 15. That the Committee **notes** the Internal Audit Service Annual Report for 2019-20.
- 16. That a copy of the Annual Report be distributed to all members of the Council.

Background Papers

The Constitution of Leicestershire County Council

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1187&MId=6195&Ver=4&Info=1>

Accounts and Audit Regulations (Amendment) 2015

<http://www.legislation.gov.uk/uksi/2015/234/contents/made>

The Public Sector Internal Audit Standards (revised from April 2017)

<https://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

Report of the Director of Corporate Resources – ‘Internal Audit Annual Plan 2019-20’ – Corporate Governance Committee meeting on 10 May 2019

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=5854&Ver=4>

Circulation under Sensitive Issues Procedure

None

Officer to Contact

Neil Jones, Head of Internal Audit & Assurance Services

Tel: 0116 305 7629

Email: neil.jones@leics.gov.uk

List of Appendices

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| Appendix | Internal Audit Service Annual Report 2019-20 |
| Annex 1 | The HoIAS Annual Opinion on the overall adequacy and effectiveness of the control environment 2019-20 |
| Annex 2 | Summary of Internal Audit Service work supporting the HoIAS 2019-20 opinion |
| Annex 3 | Summary self-assessment of conformance with PSIAS – May 2020 |