



CORPORATE GOVERNANCE COMMITTEE
4 JUNE 2021

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2020-21

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 detailed annual report for 2020-21 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: The earliest months of the coronavirus significantly impacted normal routines and required that a number of functions needed to be provided differently and uniquely. There was a necessary shift from planned assurance work to more consulting and advisory on new service design and delivery. The requirement to certify covid grants was considerably higher than in previous years. 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** is the result of the light touch self-assessment conducted by the HoIAS of the Service's general conformance to the PSIAS. Supporting notes are reported in bold font

11. **Annex 4** is the result of the HoIAS light touch review of the Quality Assurance and Improvement Programme (QAIP). The Action Plan on the last page (bold font) shows two further improvements are required, but three small improvements have been moved forward.

12. Headlines from the report are: -

- a. Despite the impact of the coronavirus during the financial year, the HoIAS overall opinion on the adequacy and effectiveness of the control environment 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. Development and training (especially in relation to auditing during covid-19) continued.
- e. Days provided decreased slightly. This will be a priority to be addressed with further recruitment in 2021-22. Redeployment and secondments out to other functions accounted for 269 days.
- f. There was a budget underspend
- g. Staff attendance was good
- h. Customer satisfaction remained positive
- i. The Service generally conforms to PSIAS
- j. The QAIP has been updated with some actions moved forward.

Resource Implications

13. The Internal Audit Service budget was underspent primarily due to not filling vacancies, mostly maintaining external income and a secondment being recharged to the Fit for the Future project.

Equality and Human Rights Implications

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

Recommendations

15. That the Committee **notes** the Internal Audit Service annual report for 2020-21.

Background Papers

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

Circulation under the Local Issues Alert Procedure

None

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List of Appendices

Appendix	Internal Audit Service Annual Report 2020-21
Annex 1	The HoIAS Annual Opinion on the overall adequacy and effectiveness of the control environment 2020-21
Annex 2	Summary of Internal Audit Service work supporting the HoIAS 2020-21 opinion
Annex 3	Summary self-assessment of conformance to the PSIAS – May 2021
Annex 4	Quality Assurance & Improvement Programme (QAIP) – May 2021