ESPO

Leicestershire County Council
Internal Audit Service
Annual Report 2020-21

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ESPO

LEICESTERSHIRE COUNTY COUNCIL INTERNAL AUDIT SERVICE

ANNUAL REPORT 2020-21

Background

1.   A common set of Public Sector Internal Audit Standards (PSIAS) was adopted in April 2013 and revised in April 2017. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) as follows: -
      i.   The Mission of Internal Audit
      ii. Definition of Internal Auditing
      iii. Core Principles for the Professional Practice of Internal Auditing
      iv. Code of Ethics
      v.   International Standards for the Professional Practice of Internal Auditing

2.   Additional requirements and interpretations for the local government sector have been inserted into the PSIAS and all principal local authorities (Joint Committees included) must make provision for internal audit in accordance with the PSIAS.

3.   The objectives of the PSIAS are to: -
      a. define the nature of internal auditing within the UK public sector
      b. set principles for carrying out internal audit in the UK public sector
      c. establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations
      d. establish the basis for the evaluation of internal audit performance and to drive improvement planning

4.   The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' (the Finance & Audit Subcommittee) timed to support the Annual Governance Statement (AGS). Management Committee approves the annual report.

5.   The PSIAS state that the annual report must include:
      a. an annual internal audit opinion on the overall adequacy and effectiveness of ESPO's governance, risk and control framework (i.e. the control environment) and disclosure of any qualifications to the opinion, together with the reasons for the qualification
      b. a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies) and disclosure of any impairments or restriction in scope
      c. a comparison of the work actually undertaken with the work that was planned, including a summary of the performance of the internal audit function against its performance measures and targets

d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) and progress against any improvement plans resulting from a QAIP external assessment
e. any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement

The Annual Internal Audit Opinion on the Adequacy and Effectiveness of ESPO's Control Environment

6. Annex 1 provides detail on how the annual internal audit opinion was formed, defines the types of audits undertaken, assurance ratings, the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.

7. Based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, and the professional judgement of the HoIAS in evaluating other related activities, the following overall opinion has been reached: -

    Aside from the partial assurance rating given following the audit of credit control, no other significant governance, risk management or internal control failings have come to the HoIAS' attention therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective

A summary of the audit work from which the opinion is derived

8. Annex 2 lists the audits undertaken during the year in the respective control environment components (governance, risk management and internal control). The list also contains the individual audit opinion. Summary outcomes and recommendations have been reported throughout the year in the HoIAS' quarterly reports on progress against the annual internal audit plan.

9. A number of 2019-20 audits that were at draft report stage were closed with no changes to opinions

10. Whilst there were not any individual high importance recommendations in 2020-21, the collective number of recommendations made in the credit control audit, led to a partial assurance rating being applied. ESPO management has accepted the recommendations and is working on implementing actions to mitigate the risk.

11. A further seven 'assurance' type (see definitions) audits were undertaken. Based on the answers provided during the audits and the testing undertaken, they each returned a 'substantial assurance' rating, meaning the internal controls in place to reduce exposure to risks currently material to the system's objectives were adequate and were being managed effectively. Although recommendation(s) to bring about improvements were made, they were not significant. Whilst four remained in draft report form at the time of

this statement, the HoIAS does not envisage management will dispute their substantial assurance opinions

12. Ten audits returning 'no opinion' were 'consulting' (advisory) type audits (see definitions). Work continues to review data matches after ESPO voluntarily submitted its payroll and creditors data into the 'National Fraud Initiative' (a nationwide counter-fraud data-matching exercise).

13. Two audits remain work in progress at the time of this statement,

14. Two audits were deferred into 2021-22 one of which wasn't undertaken because of the impact of covid-19 on workplaces.

15. Other than the External Auditor, there was no reliance on other assurance providers during the year.

16. Other than the Government enforced lockdowns because of covid-19, there were no known impairments or restrictions to internal audit's scope. A decision was taken to postpone rebates incomes audits as it's considered more productive to work at the suppliers' sites.

A comparison of work undertaken with work planned including a summary of the performance of the internal audit function

17. The table below shows planned against actual performance both in terms of number of audits (completed to draft issued stage) and days allocated (time to 31st March 2021).

Table 1 : Overall performance against 2020-21 internal audit plan

	Audits	Complete @ 14/5	Incomplete @ 14/5	Cancelled	Days
Close 19-20	1	1	-	-	20
Follow up HI recs	-	-	-	-	-
Planned	17	13	2	2	102
Unplanned	5	5	-	-	19
Client management	1	1	-	-	14
Total	**24**	**20**	**2**	**2**	**155**

18. 150 days were originally planned. Some resource has already been utilised in 2021-22 completing 2020-21 audits.

A statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)

19. The HoIAS undertook a light touch self-assessment of LCCIAS's conformance to the PSIAS to confirm that the County Council's internal audit activity generally conforms with the International Standards for the Professional Practice of Internal Auditing. Notes supporting the self-assessment, and other changes, are reported in bold font in **Annex 3**.

20. The HoIAS also light touch reviewed the service's Quality Assurance and Improvement Programme (QAIP) and found that two new recommendations

for improvement should be added, but three small improvements could be moved forward. All changes to the action plan on the last page of **Annex 4** are reported in bold font.

Any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement (AGS)

21.   None, but a 'governance group' comprising the Director of ESPO, Assistant Director (Finance) of ESPO; the Consortium Treasurer, the Consortium Secretary, the Council's Democratic Services Officer and the HoIAS will review the draft AGS before it is presented to Management Committee.

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