



CORPORATE GOVERNANCE COMMITTEE – 13 MAY 2022
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES
INTERNAL AUDIT SERVICE - PROGRESS AND PLAN

Purpose of Report

1. The purpose of this report is to: -
 - a. Provide a summary of work conducted during the period 9 October 2021 to 8 April 2022.
 - b. Report on progress with implementing high importance (HI) recommendations.
 - c. Provide an update on planned work for the six months to the end of September 2022.
 - d. Inform members that CIPFA has issued its revised Position Statement on Audit Committees in Local Authorities and Police 2022

Background

2. The Public Sector Internal Audit Standards (the PSIAS) require the Head of Internal Audit Service (HoIAS) to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the Council's agenda and priorities. The scope of internal audit activity in the plan should be wide ranging, enabling the HoIAS at the end of the year in question, to produce an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment.
3. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the system of internal audit, with a specific function to consider Internal Audit Plans. Internal audit is an essential component of the Council's corporate governance and assurance framework.
4. At its meeting on 23 July 2021, the HoIAS informed the Committee that he was introducing six month planning cycles and this report provides a list of planned work for the next six months to the end of September 2022. It also contains information on resources, progress against the previous six months planned work and an update on the implementation of high importance (HI) recommendations.

Summary of work undertaken

5. Leicestershire County Council Internal Audit Service's (LCCIAS) staffing situation has improved since last reported (November 2021) with three permanent appointments, one to the post of Audit Manager and two Senior Auditors and an extension to an agency employee's contract. Further recruitment is scheduled over the summer. Additionally, LCCIAS stopped trading with Leicestershire academies from 31 March 2022. Whilst this has resulted in a loss of income, this has released resource to allow the LCCIAS to increase focus on core Council risks.
6. 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. **Appendix 1** provides a summary of work undertaken between 9 October 2021 and 8 April 2022.
7. For assurance audits (pages 1 and 2 of Appendix 2) an 'opinion' is mostly 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 HI 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.
8. Grant certifications continue to be high. The HoIAS will be reviewing how his Midlands' colleagues approach this demand.
9. The LCCIAS also undertakes consulting/advisory type audits (pages 3 to 5 of Appendix 2). Details, including where these incur a reasonable amount of resource, 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. The ICT Auditor has either undertaken or overseen reviews of a high number of higher risk Information Security Risk Assessments (ISRA).
10. Pages 6 to 8 of Appendix 2 provides information on: -
 - a. Where the LCCIAS either undertakes itself (or aids others) with unplanned investigations. These are only reported to the Committee once the final outcome is known to avoid jeopardising investigations by others e.g. the Police. This period, six 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 – none occurred during this period.
11. In order to remain effective, and either undertake audits or feed information and guidance to others, LCCIAS staff regularly attend online training and development events and both midlands and national internal audit network events. A summary of the events attended during the last quarter is shown on pages 9 and 10 of Appendix 2.

Progress with implementing HI recommendations

12. The Committee is also tasked with monitoring the implementation of HI recommendations. **Appendix 2** details 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 the 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.
13. To summarise movements within Appendix 2: -
- a. **New**
 - i. Children and Family Services - SEND Overpayments (2)
 - ii. Consolidated Risk - Surveillance and CCTV Audit
 - iii. Consolidated Risk - Disaster Recovery.
 - b. **In progress (extended – longest timespan first)**
 - i. Consolidated Risk – ICT externally hosted contracts (two remain)
 - ii. Consolidated Risk - Travel, Subsistence and Related Allowances (COVID-19 related changes).
 - c. **Closed**
 - i. None this period

Internal Audit Plan for the six months ending September 2022

14. A substantial number of audits planned for the six months ending March 2022 remain as high risk and will be undertaken in the coming months. Additionally, the HoIAS now has access to up to date department plans and risk registers and where improvements are needed (as recognised in the compilation of the provisional draft Annual Governance Statement), so the six month plan for the period to the end of September 2022 will be focusing on key areas.

15. It is scheduled to agree the next six month plan with the Director of Corporate Resources before the end of May. Because the next scheduled committee is not until 23 September 2022, members of this Committee will be emailed a copy for their records.

CIPFA's Position Statement on Audit Committees in Local Authorities and Police 2022.

16. At its meeting on 5 November 2021, the Committee was informed that the Department of Levelling Up, Housing and Communities (DLUHC) had conducted a technical consultation on the Government's planned responses to the 'Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting', more commonly referred to as the Redmond Review. The consultation included proposals to strengthen audit committee arrangements within councils. This related to Redmond's recommendations on, 'Enhancing the functions of local audit and the governance for responding to its findings'. In response to those recommendations, CIPFA had committed to review its 'Audit Committees, Practical Guidance for Local Authorities and Police' and it was intended the updated publication would be available by April 2022. As the guidance would have no statutory backing, CIPFA considered that it was essential that once the guidance was completed it received the support of key stakeholders, including DLUHC. This would encourage its widespread adoption.
17. The publication of the revised guidance has been postponed to June and will be reported to this Committee at a future meeting. However CIPFA has published its revised Position Statement: Audit Committees in Local Government and Police (2022). The Position Statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives. It has been updated to reflect Redmond's findings and recommendations and is now supported by DLUHC. The Position Statement is included as Appendix 3.
18. To support the launch of the revised Position Statement, CIPFA also refreshed its short guide on 'The audit committee and organisational effectiveness in local authorities'. This guide explains the value an audit committee brings to the local authority. It is aimed at those in a governance or leadership role in an authority, who interact with the committee or receive its reports. It will be shared with key officers that attend the Corporate Governance Committee and is included as Appendix 4.

Resource implications

19. None

Equality and Human Rights Implications

20. There are no discernible equality and human rights implications resulting from the audits listed.

Recommendation

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

Background Papers

[The Constitution of Leicestershire County Council](#)

[Reports to the Corporate Governance Committee on 23 July and 5 November 2021 – Internal Audit Service Plan and Progress:](#)
<https://politics.leics.gov.uk/ieListMeetings.aspx?CommitteeId=434>

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix 1	Summary of Internal Audit Service work undertaken between 9 October 2021 and 8 April 2022.
Appendix 2	High Importance Recommendations as at 22 April 2022
Appendix 3	CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022
Appendix 4	CIPFA guide - The audit committee and organisational effectiveness in local authorities'

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