



CORPORATE GOVERNANCE COMMITTEE
13 MAY 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2021-22

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 (AGS). The Internal

Audit Charter defines the Corporate Governance Committee as the Board and recognises that it should formally receive 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) – **Note:** this exercise has been delayed and will be reported to a future Committee.
 - e. any issues the HoIAS judges particularly relevant to the preparation of the AGS.

7. The detailed annual report for 2021-22 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: Covid-19 and other staff absences and unplanned vacancies (along with a corresponding difficulty to recruit) caused some disruption to resources, nevertheless the HoIAS considers there was sufficient input across the control environment to be able to give a full opinion. Assurance was supplemented by good relationships with senior management and resulting transparency over reporting two significant governance issues in the provisional draft AGS and providing detailed updates to risk positions in the Corporate Risk Register. Three audits returned partial assurance ratings, and there were some minor fraud investigations, but management accepted and responded to recommendations. Overall, **reasonable assurance** is given that the Council's control environment 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. Headlines from the report are: -

- a. Despite the continuing but reducing 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. The Service encountered unplanned staff vacancies but eventually there was success in recruiting.
- f. There was a budget underspend;
- g. Staff attendance was relatively good although sickness absence reached a peak.
- h. Customer satisfaction remained positive;
- i. A self-assessment of conformance to PSIAS and the QAIP will follow in due course.

Resource Implications

11. The Internal Audit Service budget was underspent primarily due to not filling staff vacancies and mostly maintaining external income trading with Leicester City Council, ESPO, the Leicestershire Pension Fund, Leicestershire Fire and Rescue Service and academies.

Equality and Human Rights Implications

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

Recommendations

13. That the Committee **notes** the Internal Audit Service annual report for 2021-22 (attached as an appendix).
14. That a copy of the Annual Report for 2021-22 be circulated to all members of the County Council for information.

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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| Annex 2 | Summary of Internal Audit Service work supporting the HoIAS 2021-22 opinion |