

ESPO

Leicestershire County Council Internal Audit Service Annual Audit Report 2021-22

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27 April 2022

ESPO**LEICESTERSHIRE COUNTY COUNCIL INTERNAL AUDIT SERVICE****ANNUAL REPORT 2021-22****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 cyber security, 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 2020-21 audits that were at draft report stage were closed with no changes to opinions
- 10. There were three high importance recommendations in the Cyber Security Audit Report in 2021-22. ESPO management has accepted the recommendations and is working on implementing actions to mitigate the risk.
- 11. For the other 'assurance' type (see definitions) audits that 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 one remained in draft report form at the time of this statement, the HoIAS does not envisage management will dispute their substantial assurance opinions.

12. Twelve audits returning 'no opinion' were 'consulting' (advisory) type audits (see definitions).
13. Three audits remain work in progress at the time of this statement,
14. Three audits were deferred into 2021-22 or cancelled.
15. Other than the External Auditor, there was no reliance on other assurance providers during the year.

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

16. The table below shows planned against actual performance in terms of number of audits (completed to draft issued stage)

Table 1 : Overall performance against 2021-22 internal audit plan

	<u>Audits</u>	<u>Complete @ 27/4</u>	<u>Incomplete @ 27/4</u>	<u>Cancelled</u>
Planned	16	10	3	3
Unplanned	6	6	-	-
Client management	1	1	-	-
Total	23	17	3	3

17. 150 days were originally planned but because of resourcing issues (including covid illnesses) 140 were achieved. Some resource has already been utilised in 2022-23 completing 2021-22 audits.

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

18. The HoIAS undertook a self-assessment of LCCIAS's conformance to the PSIAS and confirmed that the County Council's internal audit activity generally conforms with the International Standards for the Professional Practice of Internal Auditing. Some actions in the Quality Assurance and Improvement Programme (QAIP) are overdue.

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

19. 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 (or any alternative governance report) before it is presented to Management Committee.

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