



CORPORATE GOVERNANCE COMMITTEE – 21 NOVEMBER 2022

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE - PROGRESS AGAINST PLAN

Purpose of Report

1. The purpose of this report is to:
 - a. Provide a summary of work conducted during the period 9 April to 28 October 2022.
 - b. Report on progress with implementing high importance (HI) recommendations.

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.

Summary of work undertaken

4. Leicestershire County Council Internal Audit Service's (LCCIAS) staffing situation once more improved since the last report to the Committee in May 2022 with a further permanent appointment to the post of Senior Auditor and a further extension to an agency employee's contract potentially until the end of the financial year. Additionally, a 'guest auditor' on a placement from De Montfort University undertook some data analytics work and the Service hosted two CIPFA trainees.
5. 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 April and 28 October 2022.

6. For assurance audits (pages 1 to 3 of Appendix 1) 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.
7. Grant certifications continue to be high. The HoIAS will be reviewing how his Midlands' colleagues approach this demand.
8. The LCCIAS also undertakes consulting/advisory type audits (pages 4 and 5 of Appendix 1). 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).
9. Pages 6 to 8 of Appendix 1 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, four 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.
10. 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 1.
11. Additionally, in October the HoIAS was interviewed and provided evidence to the external auditor in preparing the value for money assessment as part of the annual audit of the County Council.

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 - none**
 - b. **In progress (extended – earliest date reported first)**
 - i. Consolidated Risk – ICT externally hosted contracts (two remain)
 - ii. Children and Family Services - SEND Overpayments
 - iii. Consolidated Risk - Surveillance and CCTV Audit
 - iv. Consolidated Risk - Disaster Recovery.
 - c. **Closed/No longer relevant**
 - i. Consolidated Risk - Travel, Subsistence and Related Allowances (COVID-19 related changes).

Resource implications

14. None

Equality and Human Rights Implications

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

Recommendation

16. 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 13 May 2022 – Internal Audit Service Plan and Progress:

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=6844&Ver=4>

Circulation under the Local Issues Alert Procedure

None.

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Appendices

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| Appendix 1 | Summary of Internal Audit Service work undertaken between 9 April and 28 October 2022. |
| Appendix 2 | High Importance Recommendations as at 28 October 2022 |