



CORPORATE GOVERNANCE COMMITTEE - 26 MAY 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE – ANNUAL REPORT 2022-23

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:** the usual annual self-assessment exercise has been delayed in order that a more extensive review can be undertaken in readiness for preparing for the requirement for an external quality assessment (EQA) over the summer. A review of the implementation of recommended actions from the previous EQA (March 2018) has begun.
 - e. any issues the HoIAS judges particularly relevant to the preparation of the AGS.

7. The detailed annual report for 2022-23 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: Whilst the IAS staff group encountered some long unplanned absences, there was considerably less disruption from Covid-19, the benefit from pulling back from academy provision was noticeable and overall the resource base was at its strongest for a number of years. 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 transparency over reporting significant governance issues in the provisional draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Three audits returning partial assurance ratings were reported to Committee during the year 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. The HoIAS overall opinion on the adequacy and effectiveness of the control environment remained positive.

- b. Almost all 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 continued.
- e. The Service was successful in recruiting and retaining staff encountered unplanned staff
- f. There was a small budget underspend mostly due to the budget not reflecting academy provision had stopped;
- g. Staff attendance was very good
- 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 overspent primarily due to the impact of stopping academy provision not built into the starting budget

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 2022-23 (attached as an appendix).
- 14. That a copy of the Annual Report for 2022-23 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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List of Appendices

- Appendix Internal Audit Service Annual Report 2022-23
- Annex 1 The HoIAS Annual Opinion on the overall adequacy and effectiveness of the control environment 2022-23
- Annex 2 Summary of Internal Audit Service work supporting the HoIAS 2022-23 opinion