



CORPORATE GOVERNANCE COMMITTEE – 26 MAY 2023

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE - PROGRESS AND PLANS

Purpose of Report

1. The purpose of this report is to:
 - a. Provide a summary of work undertaken during the period 29 October 2022 to 5 May 2023.
 - 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 2023.
 - d. Provide information on the East Midlands Shared Service internal audit plan 2023-24
 - e. Provide a brief update on the requirement to have an External Quality Assessment of the Internal Audit Service.

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. The Internal Audit Service's staffing situation has remained stable since the last appointment of a further Senior Auditor in early October, which has enabled a good throughput of work.

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 29 October 2022 and 5 May 2023.
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. The LCCIAS also undertakes consulting/advisory type audits (pages 4 to 7 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).
8. Pages 8 to 10 of Appendix 1 provide 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, eight investigations were concluded. The Insurance Service is notified where appropriate.
 - 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. Internal Audit is represented on two corporate project groups.
9. 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 11 to 13 of Appendix 1.

Progress with implementing HI recommendations

10. 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 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.
11. To summarise movements within Appendix 2: -
 - a. **New - none**
 - b. **In progress (earliest date reported first & number of extensions)**
 - i. Children and Family Services - SEND Overpayments (2)
 - ii. Consolidated Risk - Surveillance and CCTV Audit (2)
 - c. **Closed/No longer relevant**
 - i. Consolidated Risk – ICT externally hosted contracts (6)
 - ii. Consolidated Risk - Disaster Recovery (0).

Internal Audit Service planned work for the six months to the end of September 2023

12. **Appendix 3** indicates a substantial amount of high risk and investigatory audits remain in train which will be concluded in the coming months. Whilst the HoIAS has accepted new requests for the period a more focussed review of up to date department plans and risk registers and the provisional draft Annual Governance Statement will provide key areas for audit's attention for the remainder of the half year and into the autumn.
13. A firmed up plan will be agreed with the Director of Corporate Resources and submitted to Chief Officers by the end of June before sharing by email with the members of this Committee

East Midlands Shared Service Internal Audit Plan 2023-24

14. Internal audit activity for East Midlands Shared Service (EMSS) is the responsibility of Nottingham City Council Internal Audit (NCCIA). At its meeting on 20 March 2023, the EMSS Joint Committee approved the Internal Audit Plan for 2023-24. The plan is included as Appendix 4. It reflects a significant increase (80 days) in time carried forward to complete previous year (2022-23) audits.

Requirement to have an External Quality Assessment of the Internal Audit Service

15. At its meeting on 27 January 2023, the Committee was informed that a follow up external quality assessment (EQA) of the Internal Audit Service was due. This requirement of PSIAS is an assessment of overall conformance with the standards once every five years by a qualified, independent assessor or assessment team from outside the organisation. The previous EQA of the Council's Internal Audit Service was undertaken in March 2018 and was an independent validation of the HoIAS' self-assessment. The results were reported to the Committee at its meeting on 23 April 2018 with the overall conclusion that the Service generally conformed (the top rating) to the PSIAS.
16. The HoIAS had intended to start market researching providers at the end of March/early April with a proposed timeline of an outcome report being provided in time for the Internal Audit Service Annual Report which is on the agenda for this Committee. However, a number of other priority matters requiring the HoIAS' involvement has meant his research has been delayed.
17. Work will start in early June with the revised intention to report to the September Committee. As agreed at the January meeting, following market testing the Director of Corporate Resources and the HoIAS will liaise with the Chairman and Spokespersons of this Committee before determining the assessment approach to be taken. An update on the preferred approach will be provided to the Committee as appropriate

Resource implications

18. The EQA project will incur a cost that will be met within the Service's existing budget.

Equality and Human Rights Implications

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

Recommendation

20. 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&MIId=6844&Ver=4>

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix 1	Summary of Internal Audit Service work undertaken between 29 October 2022 and 5 May 2023.
Appendix 2	High Importance Recommendations as at 5 May 2023
Appendix 3	Internal Audit Service planned work for the 6 months to the end of September 2023
Appendix 4	East Midlands Shared Service (EMSS) Internal Audit Plan 2023-24

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