

ESPO

Leicestershire County Council Internal Audit Service Annual Audit Report 2022-23

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ESPO
LEICESTERSHIRE COUNTY COUNCIL INTERNAL AUDIT SERVICE
ANNUAL REPORT 2022-23

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).
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

- 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: -

No 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. Those 2021-22 audits that were at draft report stage were closed with no changes to opinions
- 10. There were no new high importance (HI) recommendations and the HI in the Cyber Security Audit Report from 2021-22 was closed.
- 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.
- 12. Six audits returning 'no opinion' were 'consulting' (advisory) type audits (see definitions).

13. One audit was deferred into 2023-24 and one was merged into another wider audit of IT controls.
14. Other than the External Auditor, there was no reliance placed 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

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

Table 1: Overall performance against 2022-23 internal audit plan

	<u>Audits</u>	<u>Complete</u>	<u>Incomplete</u>	<u>Deferred/ Other</u>
Planned	17	15	-	2
Unplanned	-	-	-	-
Client management	1	1	-	-
Total	18	16	-	2

16. 150 days were provided as planned.

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

17. Leicestershire County Council Internal Audit Service is due its 5 yearly external quality assessment. In preparation for this the HoIAS undertook only a light touch self-assessment of LCCIAS's conformance to the PSIAS to confirm that the County Council's internal audit activity generally conforms with the International Standards for the Professional Practice of Internal Auditing. Notes supporting the self-assessment, and changes (in bold font), are reported in **Annex 3**.
18. The HoIAS also light touch reviewed the service's Quality Assurance and Improvement Programme (QAIP). Some action dates have had to be extended and are reported (in bold font) at the end of **Annex 4**
19. There were no significant deviations from the PSIAS.

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

20. None, but a 'governance group' comprising the Director of ESPO, Commercial Financial Controller (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.

Neil Jones CPFA
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 LCCIAS
 25 September 2023