



CORPORATE GOVERNANCE COMMITTEE – 26 JANUARY 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE - PROGRESS AGAINST 2023-24 PLAN

Purpose of Report

1. The purpose of this report is to:
 - a. Provide a summary of work undertaken during the period 11 September 2023 to 12 January 2024.
 - b. Report on progress with implementing high importance (HI) recommendations at 12 January 2024

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. Most planned audits undertaken are 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 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 11 September 2023 and 12 January 2024.

5. 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.
6. At the end of page 3 are the opinions for the four East Midlands Shared Service (EMSS) audits that are undertaken by Nottingham City Council Internal Audit (NCCIA) which is the designated provider for EMSS. EMSS managers are responsible for ensuring that proper standards of internal control operate within the organisation. NCCIA undertakes reviews of the internal control procedures in respect of the key systems and processes run by EMSS on behalf of itself and its clients; the Annual Audit Plan continues to focus on these areas.
7. Mr Breckon CC and Mr Bedford CC represent the County Council at East Midlands Shared Services Joint Committee meetings. The results of internal audit work for 2022-23 were reported to the Joint Committee on 18 September 2023. Consistent with the County Councils approach, NCCIA grades any recommendations into high, medium and low priority and provides an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. For the 2022-23 audits, the opinions for two areas (accounts receivable and ICT review) were downgraded, one opinion (payroll and HR) stayed the same and one opinion (accounts payable) improved. There are action plans for improvements agreed with the Head of East Midlands Shared Services. Because of a long absence, the Head of Audit & Risk for NCCIA has not yet provided the Head of Internal Audit Annual Opinion (previous year 'Limited Assurance'). The County Council's external auditor (Grant Thornton LLP) has reflected this in its Auditor's Annual Report 2022-23 which appears elsewhere on this Committee's agenda.
8. LCCIAS also undertakes consulting/advisory type audits see Appendix 1 (pages 4 to 7). 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. During this period, the ICT Auditor has either undertaken or overseen a considerable number of reviews of higher risk Information Security Risk Assessments (ISRA).

9. Pages 8 to 12 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, three investigations were concluded. The Legal, People and Insurance Services are 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. There is Internal Audit representation on a number of corporate project groups.
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 13 and 14 of Appendix 1.
11. At the Committee on 26 May 2023, whilst work was already in progress, 53 audits (including some other governance related work) were added as planned to be undertaken in the six months to the end of September 2023. Of those, 21 are complete and 16 are at some stage of work in progress. The other audits not started will be re-considered in the 2024-25 planning round which is due shortly. A number of investigations and other reactive work has been requested by management since the initial plan was reported. These pieces of work can take considerable time to complete. The HoIAS has counted 22 audits and other governance related work that wasn't initially reported to the Committee in May which are either complete or at some stage of work in progress. The HoIAS will agree with the Director of Corporate Resources a different approach to the Internal Audit plan and progress reporting for 2024/25 planning which will provide more visibility

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 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**

- i. Children and Family Services (Maplewell school) – minibus drivers licence checks

b. **In progress (earliest date reported first & number of extensions)**

- i. Consolidated Risk - Surveillance and CCTV Audit (4)
- ii. Environment & Transportation - Highways works Bond Reimbursement (1)

c. **Closed/No longer relevant**

- i. Children and Family Services - SEND Overpayments (3)
- ii. Children and Family Services (Maplewell school) – minibus drivers licence checks

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 update report be noted.

Background Papers

The Constitution of Leicestershire County Council

Reports to the Corporate Governance Committee on 26 May 2023 – Internal Audit Service Plan and Progress:

<https://politics.leics.gov.uk/ieListDocuments.aspx?CIId=434&MIId=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 11 September 2023 and 12 January 2024. |
| Appendix 2 | High Importance Recommendations as at 12 January 2024 |

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