

**CORPORATE GOVERNANCE COMMITTEE****25 NOVEMBER 2013****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****INTERNAL AUDIT SERVICE PROGRESS REPORT****Purpose of Report**

1. The purpose of this report is to:
 - (a) Give a summary of Leicestershire County Council's Internal Audit Service (LCCIAS) work finalised since the last report to the Committee and highlight audits where high importance recommendations have been made to managers;
 - (b) Provide an update on the County Solicitor's report on the investigation into allegations concerning the conduct of the former Leader of the County Council, Mr David Parsons, regarding his use of County Council resources and action to be taken to recover costs incurred;
 - (c) Provide an update on other amounts invoiced to the former Leader of the County Council, Mr David Parsons.

Background

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the system of internal audit, which is provided by Leicestershire County Council's Internal Audit Service (LCCIAS). To do this, the Committee receives periodic reports on progress against the annual Internal Audit Plan. The Committee is also tasked with monitoring the implementation of internal audit high importance recommendations by managers.
3. Most planned audits undertaken (including those at maintained schools and locality sites) are of an 'assurance' type, which requires an objective examination of evidence to be undertaken so that an independent opinion can be given on whether risk is being mitigated. Other planned audits are of a 'consulting' type, which are primarily advisory and allow for guidance to be provided to management. These are intended to add value, for example, by providing commentary on the effectiveness of controls designed before a new

system is implemented. Also, unplanned 'investigation' type audits may be undertaken.

Summary of Progress

4. The reporting of audits conducted at two Children's Homes was inadvertently missed from the report presented to the Committee on 23 September 2013. They have been added to this report which covers audits finalised between 1 August and 31 October 2013.
5. The overall opinions reached on schools' financial management arrangements are summarised in the table below. The individual opinions are found on the LCCIAS web page. The web link is:-
http://www.leics.gov.uk/audit_schools_colleges.htm

Opinions are given in relation to attaining a pre-set standard based on the Service's 'MOT' system (explained in detail on the web page).

Opinion given	Number
Far exceeds	0
Well above	2
Above	3
Reaches	0
Generally reaches, however....	2
Below	0
Total	7

6. The outcome of all other audits completed since the last progress report to the Committee is shown in **Appendix 1**. For assurance audits, the 'opinion' is what level of assurance can be given that material risks are being managed. There are four classifications of assurance: full; substantial; partial; and little. A report that has a high importance recommendation would not normally get a classification above partial.
7. **Appendix 2** details high importance (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 LCCIAS has identified that some movement 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.

8. To summarise movements within appendix 2:
 - i. two new recommendations have been added (Integrated Adults System and Capital Maintenance Programme);
 - ii. two recommendations have been closed (BACS separation of duties and Information Governance);
 - iii. one implementation date was further 'extended' to allow for a stabilisation of management arrangements in EMSS (Pension Fund Contribution Banding) .

Progress against the County Solicitor's report on investigation into allegations concerning a Member's conduct

9. At the Committee meeting held on 23 September 2013, Members were informed that following the independent investigator's conclusion that the former Leader of the County Council, Mr David Parsons, had used the official car and chauffeur inappropriately, the Head of Internal Audit Service (HoIAS) had calculated the total cost of the 28 (previously 29) journeys plus an overnight hotel stay in January 2009 and VAT to be £3,670.66. Mr Parsons had been invoiced for the sum which was due on 24 June, and in accordance with the County Council's normal debt recovery policy had been sent three reminders (on 22 July, 2 August and 10 September respectively) from the Finance Service Centre (FSC) at East Midlands Shared Service (EMSS).
10. Perhaps triggered by the first reminder sent to him on 22 July, Mr Parsons had emailed the FSC on 1 August disputing that he owed the amount invoiced. His email immediately generated an automatic response from the FSC customer system which allocated a unique fifteen digit 'ticket' number to indicate that his enquiry had been allocated to a FSC agent. Within five minutes, the FSC agent sent a personalised email to Mr Parsons asking for further information to support his assertion that he did not owe the amount. At the same time, the customer system automatically generated a separate email to Mr Parsons that clearly stated the **ticket number** allocated against his initial enquiry had been 'resolved and closed'. However, Mr Parsons incorrectly interpreted from that email that the **invoice** raised to him (only eight digits, unique and significantly different to the fifteen digit ticket number), had been resolved and closed. A follow up personalised request email from the FSC on 12 August for Mr Parsons to supply further information was met by Mr Parsons referring back to the automatically generated email he had received on 1 August, which he had misinterpreted.
11. On receipt of the final reminder, Mr Parsons' solicitors wrote to the FSC disputing that this invoice was still owed. The County Solicitor responded explaining how the query 'closure and resolution' had been misinterpreted and reaffirmed that at no time had there been any indication that the claim would be abandoned by the County Council and that it would continue to seek repayment for the sum due. The letter further invited Mr Parsons to discuss and agree payment of the invoice.

12. At its last meeting the Committee endorsed this response and requested that further updates on the progress being made to recover payment of all outstanding monies owed by Mr Parsons' be provided at future meetings. The Committee also acknowledged that the process of issuing ticketing messages generated by EMSS needed to be reviewed.
13. Correspondence with Mr Parsons' solicitor is continuing with a view to establishing whether a settlement can be reached.
14. The HoIAS has received confirmation from the FSC that the generic ticketing message wording has been improved.
15. Further to all of the above, a freedom of information request was received on 2 October 2013 asking whether Mr Parsons had repaid what had been calculated for the costs of travel by official car. A response was sent on 30 October 2013 explaining that at that point in time, the amount referred to in paragraph 12 above remained outstanding, but that it was the subject of on-going negotiation between the County Council and Mr Parsons' representatives.

Other amounts invoiced to the former Leader of the County Council, Mr David Parsons.

16. The final instalment of £250 for the early termination of Mr Parsons' leased car was received on 1 October. This amount has now therefore been fully paid.
17. In accordance with the Committee's previous resolutions further reports will be submitted as necessary until all matters referred to have been concluded to the satisfaction of the HoIAS and the Director of Corporate Resources.

Resource Implications

18. None.

Equal Opportunities Implications

19. There are no discernible equal opportunities implications resulting from the audits listed.

Recommendation

20. That the contents of the report be noted.

Background Papers

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 13 February 2013 and 14 June 2013 - Internal Audit Plan for 2013-14

Reports to the Corporate Governance Committee on 15 May and 29 June 2012 –
Response to a request for an audit by Mr G.A. Boulter c.c. and reports to the
Corporate Governance Committee on 14 June and 23 September 2013 –
Investigation into allegations concerning Members' conduct

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix 1 - Summary of Final Internal Audit Reports issued during the period 1 August to 31 October 2013

Appendix 2 - High Importance Recommendations

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