



CORPORATE GOVERNANCE COMMITTEE – 10 MAY 2019
INTERNAL AUDIT SERVICE PROGRESS REPORT
REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to: -
 - a. provide a summary of work conducted during the period 5 January to 26 April 2019;
 - b. report on progress with implementing high importance recommendations;
 - c. provide a further brief update on the Internal Audit Service's resource.

Background

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the internal audit function, 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.
3. 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.

Summary of progress against the Internal Audit Plan 2018-19

4. This report provides in **Appendix 1** a summary of work undertaken between 5 January and 26 April 2019.
5. For assurance audits (pages 1 and 2 of Appendix 1) an 'opinion' is 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 high importance 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. LCCIAS also undertakes consulting/advisory type audits (page 3). Where these incur a reasonable amount of resource, they 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. Once more, a number of information security risk assessments were reviewed and comments provided back to the Information Governance Service.
7. Page 4 of Appendix 1 informs of: -
 - a. Where LCCIAS either undertakes or assists with unplanned investigations. These are not reported to the Committee until the final outcome is known. This quarter, another investigation was started and two small scale investigations were concluded.
 - 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.
8. Page 5 of Appendix 1 shows an example of where LCCIAS auditors are utilised to undertake work assisting other functions. An Assistant Auditor undertook an insurance claim investigation. Also, in order to remain effective, LCCIAS staff regularly attend training and development events and both midlands and national internal audit network events. A summary of events attended during the last quarter is also shown on page 5.

Progress with implementing high importance recommendations

9. The Committee is also tasked with monitoring the implementation of high importance recommendations. **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 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.
10. To summarise movements within Appendix 2: -
 - a. **New** – Corporate Resources (Property Contracts Awards; Leicestershire Schools Music Service) Public Health/A&C (Substance Misuse Strategy – Residential Rehabilitation)
 - b. **Extend** - None

- c. **Closed** – A&C - Area office safes

Internal Audit Service Resources

11. An experienced long serving Senior Auditor left the Authority at the end of February. However, at the beginning of April two experienced and qualified auditors were employed on an initial 12 week agency basis and they are settling in well. In addition, a further CIPFA trainee has been seconded from Leicester City Council for five months. Work continues on a structure review.

Resource implications

12. There are no resource implications arising directly from this report. The cost of agency staff is being met from staffing budgets.

Equality and Human Rights Implications

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

Recommendation

14. That the contents of the routine update report be noted

Background Papers

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 25 July 2018 - Internal Audit Plan for 2018-19

Circulation under the Local Issues Alert Procedure

None.

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Appendices

- Appendix 1 - Summary of Internal Audit Service work undertaken between 5 January and 26 April 2019
Appendix 2 - High Importance Recommendations

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