



CORPORATE GOVERNANCE COMMITTEE – 22 SEPTEMBER 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 8 May to 8 September 2023.
 - b. Report on progress with implementing high importance (HI) recommendations as at 8 September 2023.

Background

2. The Public Sector Internal Audit Standards (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 continues to remain stable since the last appointment of a further Senior Auditor in early October. The summer period can lead to some delays in progressing and finalising audits, so a lot of work both planned and reactive is in train.
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 8 May and 8 September 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 6 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 7 to 9 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, five 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. 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 10 to 11 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** – Environment & Transportation (Highways works - Bond Reimbursement)
 - b. **In progress (earliest date reported first & number of extensions)** -
 - i. Children and Family Services - SEND Overpayments (3)
 - ii. Consolidated Risk - Surveillance and CCTV Audit (3)
 - c. **Closed/No longer relevant** - None this cycle

Resource implications

12. There are no resource implications arising from this report.

Equality Implications

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

Human Rights Implications

14. There are no human rights implications arising from this report.

Recommendation

15. 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 26 May 2023 – Internal Audit Service Plan and Progress:

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=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 8 May and 8 September 2023. |
| Appendix 2 | High Importance Recommendations as at 8 September 2023 |