

Leicester City Council Governance & Audit Committee
22nd November 2023

Report of Leicestershire County Council's
Head of Internal Audit & Assurance Service

Progress against Internal Audit Plans

Purpose of Report

1. The purpose of this report is to provide:

Summary of progress against the 2023-24 and prior year Internal Audit Plans including:

- i. summary information on progress with implementing high importance recommendations.
- ii. summary of progress against the Internal Audit Plans.
- iii. commentary on the progress and resources used.

Recommendation

2. That the contents of the report be noted.

Background

3. The Council's internal audit function was delegated to Leicestershire County Council in 2017.
4. Within its Terms of Reference the Governance & Audit Committee (the Committee) has a duty to receive regular reports on progress against the internal audit plan, containing activity undertaken, summaries of key findings, issues of concern and action in hand. It also has a duty to review and approve the Head of Internal Audit Service's annual report containing an opinion on the overall adequacy and effectiveness of the Council's control environment, and conformance to the Public Sector Internal Audit Standards (the PSIAS).
5. Most planned audits undertaken are 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. For these audits an assurance level is given as to whether material risks are being managed. There are four levels: full; substantial; partial; and little.

6. 'Partial' ratings are normally given when the auditor has reported to management at least one high importance (HI) recommendation. A HI recommendation denotes that there is either an absence of control or evidence that a designated control is not being operated and as such the system is open to material risk exposure. It is particularly important therefore that management quickly addresses those recommendations denoted as HI and implements an agreed action plan without delay. HI's are reported to this Committee and a follow up audit occurs to confirm action has been implemented. Occasionally, the auditor might report several recommendations that individually are not graded high importance but collectively would require a targeted follow up to ensure improvements have been made.
7. Other planned audits are '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.
8. Grants and other returns are audited, but because these are specific or focused reviews of certain aspects of a process in these cases it is not appropriate to give an assurance level. When they are completed, 'certified' is recorded.
9. Follow up audits relating to testing whether recommendations have been implemented from previous years' audits are undertaken. With this type, assurance levels aren't given because not all of the system is being tested. However, the Head of Internal Audit Service (HoIAS) forms a view on whether the situation has improved since the original audit and that is listed.

Progress with implementing high importance recommendations

10. The Committee is tasked with monitoring the implementation of high importance (HI) recommendations which primarily lead to low assurance levels. **Appendix 1** provides a short summary of the issues and the associated recommendations. The relevant manager's agreement (or otherwise) to implementing the recommendation(s) and the implementation timescale is also 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 HoIAS has confirmed (by gaining sufficient evidence or even specific re-testing by an auditor) that action has been implemented.
11. At the end of the year, as part of the process of determining his annual opinion, the HoIAS takes account of how management has responded to implementing high importance recommendations. Responses are generally positive however there is recognition that some recommendations do require more time to fully implement.

To summarise movements within Appendix 1 as at 6th November 2023.

- a. New
 - i. None
- b. Ongoing/extended (date initially reported & number of extensions granted)
 - i. Key ICT Controls 2020-21 (September 2022 - 3)
 - ii. Direct Payments (November 2022 - 3)
 - iii. CCTV (July 2023 – 1)
- c. Closed (date initially reported to Committee)
 - i. GDPR #2 (June 2020 - 9)
 - ii. Bed & Breakfast Emergency Placement (March 2023- 3)

Summary of progress 31st October 2023

12. **Appendix 2** reports on the position at 31st October 2023. The table shows the status on prior year and 2023-24 audits between the period 1st April 2023 to 31st October 2023:

	Prior year @ 31/10/2023	2023-24 @ 31/10/2023
Outcomes		
High(er) Assurance levels	8	4
Low(er) Assurance levels	1	0
Advisory	3	3
Grants/other certifications	0	11
HI follow ups – completed	3	0
Audits finalised	15	18
Audits in progress	3	46
HI follow ups – in progress	3	0
Not yet started	0	13
Deferred /Cancelled	0	1

Summary of resources used in 2023-24 (as at 31st October 2023)

13. To close off prior year audits, progress 2023-24 audits (reported in Appendix 2), and provide additional work relating to requirements such as planning, reporting to Committees etc, at 31st October 2023; Leicester City Council had received 417 days of internal audit input (see below table). Previously reported 275 days at 31 August.

	@31/10/2023	@ 31/10/2023
By type	Days	%
Relating to prior years audits (*)	81	19%
Relating to audits started 2023-24	290	70%
Sub-total audits	371	89%
Client management	46	11%
Total	417	100%
By position		
HolAS	16	4%
Audit Manager	71	17%
Audit Senior (incl. ICT)	178	43%
Auditor	152	36%
Total	417	100%

(*) These days were utilised either concluding previous years audits or following up on the progress made with implementing audit recommendations where low assurance levels had been reported.

Commentary on progress and resources used

14. Progress continues to be made with the Internal Audit plan delivery; however, considerable delays in getting agreed management responses has delayed finalising two of the three prior year audits. Also a number of audits in the 2023-24 plan have been delayed, as Auditors are awaiting information from the client; it is acknowledged officers have competing demands, however these delays increases the workloads in the latter months of the year and causes pressure in completion of the plan in the final quarters. The Head of Finance (continuing to act as client liaison) has been kept informed of these delays and is assisting in finalising the prior year audits and progressing 2023-24 planned audits.

Audits have been added to the plan during the course of the year; due to the urgent nature of this work, these have been picked up by Auditors at short notice, examples include the BACs/DD audit and recently work has started on the Social Care Finance system (Controcc) & Online Financial Assessment Audit which requires completion by early December.

The current position is 417 days have been delivered as at 31st October 23, which is a little light for this point in time; contributing factors for this include the delay in agreeing the Internal Audit plan, delays encountered with audits, holiday period and the extended absence of the Audit Manager on Jury service. However, good progress has been made in the last two months with 142 days delivered; co-

operation and good client engagement will be necessary to help ensure Internal Audit complete the remaining audits in a timely manner and deliver the 800 days as per the delegation.

High importance recommendations continue to be followed up; good progress has been made with two more being closed off since the last report; the GDPR was one of these which had a number of extensions to their target dates.

Financial Implications:

15. There are no direct financial implications arising from this report. However, as a result of the work carried out, assurance regarding the operation of key financial systems is gained and there would be an expectation that implementing internal audit recommendations could improve effectiveness, efficiency and economy.

Legal Implications:

16. None.

Equal Opportunities Implications

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

Climate Emergency Implications:

18. None

Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

19. No.

Is this a “key decision”? If so, why?

20. No.

Background Papers

The Constitution of Leicester City Council
Accounts and Audit Regulations (Amendment) 2015
The Public Sector Internal Audit Standards (revised from April 2017)
The Internal Audit Plans 2022-23 & 2023-24

Officer to Contact

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Appendix 1	High Importance Recommendations as at 6 th November 2023.
Appendix 2	Summary of Internal Audit Service work undertaken between 1 st April 2023 - 31 st October 2023.