

Leicester City Council Governance & Audit Committee
27th September 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 5th September 2023.

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

Summary of progress 31st August 2023

12. **Appendix 2** reports on the position at 31st August 2023. The most recent status is shown in **bold font**. The summary position (with comparison to the previous position at 30th June 2023) is:

	2022/23 (& prior year) @30/06/23	2023-24 @ 30/6/23	2023-24 @ 31/8/23
Outcomes			
High(er) Assurance levels	41	6	6
Low(er) Assurance levels	10	1	1
Advisory	6	3	5
Grants/other certifications	24	4	5
HI follow ups – completed	12	0	0
Audits finalised	93	14	17
Audits in progress	7	21	40
HI follow ups – in progress	5	0	0
Not yet started	0	47¹	13
Deferred/Reserve /Cancelled	24	0	12

¹ A number of audits included in this figure has a block allocation, which means multiple audits are included in that block e.g. Contract Audit, Major Financial Systems Audit

Summary of resources used in 2023-24 (as at 31st August 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 August 2023; Leicester City Council had received 275 days of internal audit input (see below table).

	@31/08/2023	@ 31/08/2023
By type	Days	%
Relating to prior years audits (*)	73	27%
Relating to audits started 2023-24	177	64%
Sub-total audits	250	91%
Client management	25	9%
Total	275	100%
By position		
HolAS	10	4%
Audit Manager	40	14%
Audit Senior (incl. ICT)	123	45%
Auditor	102	37%
Total	275	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. Almost all the audits from prior year are nearing completion; some delays and lack of responses from client officers have caused delays in closing some of these audits. High importance recommendations continue to be followed up and there has been good engagement and one HI recommendation has been closed off; it is recognised that closure of the GDPR recommendation is dependent on further updates from Parliament, which is still awaited. Although the 2023-24 audit plan is awaiting to be finalised, work is progressing on audits in the plan and a number of audits have been finalised.

15. There was an impact on resources due to the Audit Manager having to attend extended Jury service.

Financial Implications:

16. 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:

17. None.

Equal Opportunities Implications

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

Climate Emergency Implications:

19. 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)?

20. No.

Is this a “key decision”? If so, why?

21. 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 (draft)

Officer to Contact

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Appendix 1	High Importance Recommendations as at 5 th September 2023.
Appendix 2	Summary of Internal Audit Service work undertaken between 1 st April 2023 - 31 st August 2023.