

Leicester City Council Audit & Risk Committee
21 July 2021

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

Internal Audit Service – Annual Report 2020-21

Purpose

1. To provide the Audit & Risk Committee (the Committee) with an annual report on internal audit work conducted during 2020-21. The report also contains information on the internal audit function's conformance to professional standards, which provides an insight into its effectiveness.

Background

2. Part 2, 'Internal Control' of the Accounts and Audit Regulations (2015) provides at section 5 'Internal Audit' that, 'A relevant authority (Leicester City Council – 'the Council') must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
3. The relevant standards are the United Kingdom Public Sector Internal Audit Standards (PSIAS) revised in April 2017, and the guidance is provided by the accompanying CIPFA Local Government Advisory Note (LGAN).
4. The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' timed to support the annual governance statement. The Council's Internal Audit Charter defines the Audit & Risk Committee as the Board and recognises that it has a duty on behalf of the Council, to approve the HoIAS' annual report and opinion, considering the level of assurance given over the Council's corporate governance arrangements and decide on appropriate actions.

5. Within its Constitution, the Council has delegated the function to provide an internal audit service to the Director of Finance. In January 2017, the City Mayor agreed to delegate the Council's internal audit function to Leicestershire County Council. The delegation was formally completed on 23 November 2017 and the management arrangements were transferred.

Summary

6. The HoIAS' annual report must include:
 - a. an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment
 - b. a summary of the audit work from which the opinion is derived
 - c. a comparison of the work actually undertaken with the work that was planned to include a summary of the performance of the internal audit function
 - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)
 - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement
7. The annual report for 2020-21 is provided in the **Appendix**. The report includes the HoIAS opinion. For 2020-21, the HoIAS reviewed actions taken to promote good governance, mitigate risk and retain control during the continuing coronavirus.

HoIAS opinion: The earliest months of the coronavirus significantly impacted normal routines and required that a number of functions needed to be provided differently and uniquely. There was a necessary shift from planned assurance work to more consulting and advisory on new service design and delivery. The requirement to certify covid grants was considerably higher than in previous years. However, no significant governance, risk management or internal control failings have come to the HoIAS' attention therefore reasonable assurance is given that the Council's control environment overall has remained adequate and effective.

The opinion will also be contained in the draft AGS.

8. **Annex 1** provides detail on how the annual internal audit opinion was formed, defines the types of audits, the components of the control environment and what it is designed to achieve, and provides a caveat on any opinion reached.
9. **Annex 2** lists the audits undertaken during the year. For assurance audits the individual audit opinion is given.
10. **Annex 3 (see link at end of report)** - is the position after the May 2021 light touch self-assessment conducted by the HoIAS of the

Service's general conformance to the PSIAS. Supporting notes are reported in bold font

11. **Annex 4 (see link at end of report)** - is the position after of the HoIAS light touch review of the Quality Assurance and Improvement Programme (QAIP). The Action Plan on the last page (bold font) shows two further improvements are required, but three small improvements have been moved forward.
12. Headlines from the report are: -
 - a. Despite the impact of the coronavirus during the financial year, the HoIAS overall opinion on the adequacy and effectiveness of the control environment remained positive.
 - b. A majority of assurance audits conducted returned substantial assurance ratings. Those where less assurance was given will continue to be subject to further internal audit scrutiny.
 - c. Audits of grants (especially covid-19 related) were prominent
 - d. There's a relatively small carry over of work
 - e. Days provided decreased but the Council was compensated for this.
 - f. Customer satisfaction remained very positive
 - g. Additional assistance beyond the Internal Audit Plan was provided.
 - h. Development and training (especially in relation to auditing during covid-19) continued.
 - i. The Service generally conforms to PSIAS
 - j. The QAIP has been updated with some actions moved forward

Resource Implications

13. The Council pays for LCCIAS to provide its internal audit activity.

Equal Opportunities Implications

14. There are **no specific** equal opportunities implications contained within the annual summary of work undertaken.

Recommendations

15. The Audit & Risk Committee is recommended to: -
 - a. Receive and approve the contents of the Annual Report and Opinion
 - b. Note that for the year ended 31 March 2021, the HoIAS has reported that the Council's control environment overall remained adequate and effective.
 - c. Note that the individual assignment opinions expressed together with any significant matters arising from internal audit work have been given due consideration when developing and reviewing the Authority's Annual Governance Statement for 2020-21.

- d. Note the outcomes of the HoIAS self-assessment against the PSIAS and QAIP.
- e. Make any recommendations it sees fit to the Chief Operating Officer/s151 officer, the Deputy Director of Finance or the Executive.

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 Plan 2020-21

Circulation under Sensitive Issues Procedure

None

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List of Appendices

- Appendix Internal Audit Service Annual Report 2020-21
- Annex 1 The HoIAS Annual Opinion on the overall adequacy and effectiveness of the control environment 2020-21
- Annex 2 Summary of Internal Audit Service work supporting the HoIAS 2020-21 opinion
- Annex 3 Summary self-assessment of conformance with PSIAS – May 2021 – [County Council report May 2021](#)
- Annex 4 Self-assessment against the Quality Assurance & Improvement Programme (QAIP) – [County Council report May 2021](#)