

Leicester City Council Audit & Risk Committee
29th September 2021

Progress against Internal Audit Plans

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

Purpose of Report

1. The purpose of this report is to provide:
 - a. a summary of progress against the 2020-21 & 2021-22 Internal Audit Plans
 - b. information on resources used to progress the plans
 - c. summary information on high importance recommendations and progress with implementing them

Recommendation

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

Background

3. Under the Council's Constitution, the Audit & Risk Committee (the Committee) has duties to monitor performance against the Internal Audit Plan and to receive summaries of Internal Audit reports and the main issues arising.
4. 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. '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 several recommendations that individually are not graded high importance but collectively would require a targeted follow up to ensure improvements have been made.
5. 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.

6. 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.
7. 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.
8. Internal Audit Service continues to be delivered remotely to follow corporate guidance and ensuring the safety of both staff and clients. Having operated remotely for over a year and a half, staff (both IA and client) have become more familiar with this type of working environment but equally recognising that this adds extra time in the completion of audits. Progress with the delivery of the audit plan continues; however, in some divisions progress has been slow as the start of a number of audits has been delayed. A number of contributing factors has led to the delays such as staff (both City and IA) taking much needed leave (which has accumulated over the past year) as lockdown measures have been eased. IA has also recently suffered a short term resource gap, with two staff leaving but recruitment of replacements is underway and there is also scope to utilise agency staff. Also whilst the organisation is steadily getting back to some normality, management in some of the audit areas have indicated they are still under a lot of work pressure and in one case the service area is undergoing internal organisational reviews; therefore juggling different priorities has contributed to some audits being delayed. For some grant audits, completion has been difficult as the Council are awaiting invoices/supporting information from external organisations.

As everyone moves towards a new normal, it is acknowledged that new challenges are being experienced; however delays create additional pressure for the Internal Audit Service in delivering sufficient planned audits over the remaining seven months. Internal Audit are working with the Council's client officers to help progress audits and to ensure there is adequate audit coverage by the year end to enable the HoIAS to provide his annual opinion.

Summary of progress at 31st August 2021

9. **Appendix 1** reports on the position at 31st August 2021. Updates (i.e. closures, movements in status, new starts and postponements) are shown in a **bold font**. The summary position (with comparison to the previous position as at 31st May 2021) is:

	2020/21 @31/05/21	2020/21 @31/08/21	2021/22 @31/05/21	2021/22 @31/08/21
Outcomes				
High(er) Assurance levels	13	15	0	0
Low(er) Assurance levels	2	2	0	0
Advisory	3	3	0	0
Grants/other certifications	22	23	4	10
HI follow ups – completed	3	3	0	0
Audits finalised	43	46	4	10
HI follow ups – in progress	5	5	0	
In progress	14	11	7	29
Not yet started	0	0	41	29
Postponed/Rescheduled/ Cancelled	23	23	0	4

Resources used as at 31st August 2021

To close off 2020-21 audits and start and progress 2021-22 audits (reported in Appendix 1), and provide additional work relating to requirements such as planning, reporting to Committees etc, by 31st August 2021, Leicester City Council had received 221 days of internal audit input delivered (see below table).

	@31/08/21	@31/08/21
By type	Days	%
Audits	155	70%
Client management	66	30%
Total	221	100%
By position		
HolAS	10	5%
Audit Manager	56	25%
Audit Senior (incl. ICT)	33	15%
Audit Other	122	55%
Total	221	100%
Relating to prior years audits (*)	60	27%
Relating to audits started 2021-22	161	73%
Total	221	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.

Progress with implementing high importance recommendations

10. The Committee is also tasked with monitoring the implementation of high importance (HI) recommendations which primarily lead to low assurance levels. **Appendix 2** 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 evidence or even specific re-testing by an auditor) that action has been implemented.
11. As part of the process of determining his annual opinion, the HoIAS takes account of how management responds to implementing high importance recommendations. Responses are generally positive and there is recognition (especially with covid disruptions) that some recommendations do require more time to fully implement.
12. To summarise movements within Appendix 2 as at 7th September 2021:
- a. New – None
 - b. Ongoing/extended - GDPR; Financial Management & School Governance - LA Scheme for the Financing of Schools; Financial Management & School Governance - SEND funding (part); Social Value within Procurement; Government Procurement Card (GPC).
 - c. Closed – None

Financial Implications:

13. None

Legal Implications:

14. None.

Equal Opportunities Implications

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

Climate Emergency Implications:

16. 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)?

17.No.

Is this a “key decision”? If so, why?

18. 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 2020-21 and 2021-22

Officer to Contact

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Appendices

- Appendix 1 - Summary of Internal Audit Service work undertaken between 31st May 2021 – 31st August 2021
- Appendix 2 - High Importance Recommendations as at 7th September 2021.