

**Leicester City Council Audit & Risk Committee**  
**24th November 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
  - d. Provide brief information on projects that the Chartered Institute of Public Finance and Accountancy (CIPFA) is currently undertaking that relate to public sector internal audit and audit committees.

**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. The Internal Audit Service (IAS) continues to operate remotely to follow corporate guidance. It is good to see that more staff have been taking leave, whilst this impacts on delivery of the plan, management have encouraged staff to continue to take their annual leave; this is to assist staff with their health and wellbeing and to avoid large accumulation of leave at the year end.

The number of days delivered has been light over the last few months, due to staff availability and some client delays in starting audits. As reported in the last progress report, competing demands faced by client officers and staff continuing to take annual leave have been contributory factors. As previously reported a short term resource gap in the IAS has further impacted on the delivery of the plan; recruitment of replacements is underway and agency staff will be utilised. Unfortunately, the IAS has also suffered some unplanned covid related and other illnesses which has hampered resource available and progress.

Local Authorities continue to receive a number of COVID 19 related grants, which Internal Audit are required to certify; delays in client responses have hampered completion of some of the grant audits however, this situation is improving. Progress has also been a little slow as in some cases auditors are awaiting client responses to start audits; this situation continues to be monitored through progress meetings with the Leicester City Council client officers.

It is recognised that the days delivered is a little light at this point in the financial year; however, Internal Audit will continue 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 28th October 2021

9. **Appendix 1** reports on the position at 28<sup>th</sup> October 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 31<sup>st</sup> August 2021) is:

	<b>2020/21 @31/08/21</b>	<b>2020/21 @28/10/21</b>	<b>2021/22 @31/08/21</b>	<b>2021/22 @28/10/21</b>
<b>Outcomes</b>				
High(er) Assurance levels	<b>15</b>	<b>16</b>	<b>0</b>	<b>0</b>
Low(er) Assurance levels	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>
Advisory	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>
Grants/other certifications	<b>23</b>	<b>24</b>	<b>10</b>	<b>14</b>
HI follow ups – completed	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>
<b>Audits finalised</b>	<b>46</b>	<b>47</b>	<b>12</b>	<b>16</b>
HI follow ups – in progress	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>In progress</b>	<b>11</b>	<b>9</b>	<b>29</b>	<b>27</b>
Not yet started	<b>0</b>	<b>0</b>	<b>29</b>	<b>26</b>
Postponed/Rescheduled/ Cancelled	<b>23</b>	<b>23</b>	<b>4</b>	<b>5</b>

## Resources used as at 28<sup>th</sup> October 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, 28<sup>th</sup> October 2021, Leicester City Council had received days of internal audit input delivered (see below table).

	<b>@28/10/21</b>	<b>@ 28/10/21</b>
<b>By type</b>	<b>Days</b>	<b>%</b>
Audits	<b>244</b>	<b>81</b>
Client management	<b>58</b>	<b>19</b>
<b>Total</b>	<b>302</b>	<b>100</b>
<b>By position</b>		
HoIAS	<b>11</b>	<b>3</b>
Audit Manager	<b>75</b>	<b>25</b>
Audit Senior (incl. ICT)	<b>51</b>	<b>17</b>
Audit Other	<b>165</b>	<b>55</b>
<b>Total</b>	<b>302</b>	<b>100</b>
Relating to prior years audits (*)	<b>67</b>	<b>27</b>
Relating to audits started 2021-22	<b>177</b>	<b>73</b>
<b>Total</b>	<b>244</b>	<b>100%</b>

(\*) 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 28<sup>th</sup> October 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

### **Projects undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) relating to internal audit and audit committees**

13. CIPFA is undertaking a major research project looking at internal audit in the public services. It is keen to understand how internal audit is contributing most to their organisations and its future potential. This research is part of CIPFA's commitment to supporting the internal audit profession, good governance and strong public financial management. The findings and conclusions of the research will be published by CIPFA in early 2022. The report will support all those with an interest in effective internal audit in the public services.
14. One aspect of the project is a survey of internal auditors and their clients. CIPFA is keen to receive as wide a view of possible from across from the public services and obtain the perspectives of both internal auditors and those who rely on the work of internal audit. The HoIAS, the Deputy Director of Finance and the Chair of the Audit & Risk Committee each responded to the survey.

15. Over the summer, the former Ministry of Housing, Communities and Local Government (now known as the Department of Levelling Up, Housing and Communities (DLUHC)) conducted a technical consultation on the Government's planned responses to the Redmond Report. The consultation was predominantly about changes to local (external) audit arrangements but also included proposals to strengthen audit committee arrangements within councils. This related to Redmond's recommendations on, 'Enhancing the functions of local audit and the governance for responding to its findings'.
16. CIPFA has been part of a working group of relevant stakeholder organisations which has considered how to improve the effectiveness of local audit by ensuring that there are arrangements in place so that local (external) audit reports and recommendations are effectively considered and acted upon by local authorities. In its response CIPFA supported: -
  - a) Until guidance to audit committees is strengthened (see below), local authorities should review the existing structure of their audit committees to consider whether their arrangements support effectiveness.
  - b) Undertaking a review of its 'Audit Committees, Practical Guidance for Local Authorities and Police'. It is intended that the updated publication will be available by April 2022. As the guidance will have no statutory backing, CIPFA considers that it is essential that once the guidance is completed it receives the support of key stakeholders, including DLUHC. This will encourage its widespread adoption.
  - c) A view that local (external) auditors are well placed to identify any bodies that are struggling to make improvements to their audit committee effectiveness or do not attach sufficient weight to this aspect of their governance. CIPFA is of the view that the local audit framework should ensure that auditors are prepared to make comments and recommendations where improvement is required.
  - d) A view that mandating the audit committee would have additional benefits beyond tackling problem areas
  - e) A proposal that local (external) auditors should be required to present an annual report to full Council, and that the audit committee should also report its responses to the local (external) auditor's report. CIPFA sees it as important that the local auditors can engage directly with the audit committee for a full discussion of the matters underpinning the report and that the committee should take the lead in making recommendations on how the auditor's findings should be addressed. Presenting the committee's response to the body charged with governance (e.g. full council) alongside the auditor's annual report provides assurance on how effectively the audit committee is leading on addressing auditor concerns.
  - f) The comments in the consultation on the importance of internal audit and the need to ensure that local government bodies maintain an effective internal audit, taking into account the requirements of the Public Sector Internal Audit Standards (2017), the Local Audit Application Note (2019) and that governance arrangements for internal audit are in accordance with the CIPFA Statement on the Role of the Head of Internal Audit.

17. The DLUHC conclusions will be considered and will be reported to a future meeting of the Committee.

**Financial Implications:**

18. None

**Legal Implications:**

19. None.

**Equal Opportunities Implications**

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

**Climate Emergency Implications:**

21. 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)?**

22. No.

**Is this a “key decision”? If so, why?**

23. 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 31<sup>st</sup> August 2021 – 28<sup>th</sup> October 2021

Appendix 2 - High Importance Recommendations as at 28<sup>th</sup> October 2021.