

**Leicester City Council Audit & Risk Committee**  
**16 March 2022**

**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. commentary on the progress and resources used
  - d. summary information on high importance recommendations and progress with implementing them
  - e. information on compiling the 2022-23 Internal Audit Plan

**Recommendation**

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

**Background**

3. Within its Terms of Reference (revised March 2021) the Audit & Risk 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.
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.

### **Summary of progress at 31<sup>st</sup> January 2022**

8. **Appendix 1** reports on the position at 31<sup>st</sup> January 2022. Updates (i.e. closures, movements in status, new starts and postponements) are shown in **bold font**. The summary position (with comparison to the previous position at 28<sup>th</sup> October 2021) is:

	<b>2020/21 @28/10/21</b>	<b>2020/21 @31/01/22</b>	<b>2021/22 @28/10/21</b>	<b>2021/22 @31/01/22</b>
<b>Outcomes</b>				
High(er) Assurance levels	<b>16</b>	<b>17</b>	<b>0</b>	<b>2</b>
Low(er) Assurance levels	<b>2</b>	<b>2</b>	<b>0</b>	<b>1</b>
Advisory	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>
Grants/other certifications	<b>24</b>	<b>24</b>	<b>14</b>	<b>21<sup>1</sup></b>
HI follow ups – completed	<b>3</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>Audits finalised</b>	<b>48</b>	<b>51</b>	<b>16</b>	<b>26</b>
HI follow ups – in progress	<b>5</b>	<b>3</b>	<b>0</b>	<b>1</b>
<b>In progress</b>	<b>9</b>	<b>7</b>	<b>27</b>	<b>30</b>
Not yet started	<b>0</b>	<b>0</b>	<b>26</b>	<b>10</b>
Postponed/Rescheduled/ Cancelled	<b>23</b>	<b>23</b>	<b>5</b>	<b>16</b>

---

<sup>1</sup> 7 Grants were signed off during this period; multiple grants were signed off in 3 cases, in total 15 grants were actually signed off during this period.

## Summary of resources used as at 31 January 2022

9. To close off 2020-21 audits, progress 2021-22 audits (reported in Appendix 1), and provide additional work relating to requirements such as planning, reporting to Committees etc, at 31 January 2022, Leicester City Council had received 476 days of internal audit input delivered (see below table).

	@31/01/22	@ 31/01/2022
<b>By type</b>	<b>Days</b>	<b>%</b>
Relating to prior years audits (*)	85	18
Relating to audits started 2021-22	321	68
<b>Sub-total audits</b>	<b>406</b>	<b>86</b>
Client management	70	14
<b>Total</b>	<b>476</b>	<b>100</b>
<b>By position</b>		
HolIAS	22	5
Audit Manager	101	21
Audit Senior (incl. ICT)	113	24
Audit Other	240	50
<b>Total</b>	<b>476</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.

## Commentary on progress and resources used

10. Following the previous report to Committee (24 November 2021) there was the Christmas break, during which period some staff (both provider and client) took extended leave which impacted on audit coverage. It's been a further challenging year for all; however the Internal Audit Service (IAS) has continued to deliver audits, particularly ensuring grant audits were completed by the due deadlines. The last period has seen a significant number of grant audits completed, a large number of these relating to COVID grants. The school governance audit was started after some initial delay, this includes eight 'mini' audits and coverage includes single central records, school websites and business continuity (the full list is in Appendix 1). Like all audits, the school governance audits are being undertaken remotely, whilst being mindful and sensitive to the pressures faced by schools; on the whole the auditors have found the schools to have been co-operative and progress is being made.

The ongoing COVID situation has continued to produce pressures in City services, which has resulted in requests for some audits to be delayed and in some cases being postponed; a number of grant audits have also been postponed to next financial year as deadlines have been extended by the funding body.

Over the winter months the IAS unfortunately suffered some unplanned COVID related and other illnesses of staff that had provisionally been assigned to designated City audits. These totalled 65 days and whilst some backfill was arranged, the absences did impact the progression of some audits. Thankfully all staff are recovered and are back to working full time.

Unusually (but not uncommon currently), three experienced staff unexpectedly left the IAS between the end of August and December and finding good agency to replace them was difficult. Nevertheless, in early December, a full time Senior Auditor was appointed and in January an experienced agency worker began. Interviews for further Senior Auditors have been undertaken and offers have been made with one staff starting on 1<sup>st</sup> March. Additionally, an apprentice post is due to be advertised and the IAS is exploring utilising undergraduates to undertake data analytics work.

This combination of factors (delays, postponements, absences, leavers and recruitments) has meant that the days delivered is light at this point in the financial year. The HoIAS has reviewed time incurred since the end of January and what remains available and is forecasting around 650 days will be provided by the end of March, which is slightly above the previous year, but below the planned 750-800 days, so some compensation on fees paid will be agreed.

Attaining the forecast 650 days will be reliant on no further unforeseen events and absences, full commitment from City staff and their management, and continuing support from the Council's client officers to help progress audits. This should ensure there is sufficient audit coverage by the year end to enable the HoIAS to as a minimum form a 'reasonable assurance' opinion that the Council's control environment has remained adequate and effective over the financial year. As with the previous two years affected by COVID, the HoIAS has already begun to gather evidence from Senior Officers that assists in forming his opinion.

### **Progress with implementing high importance recommendations**

11. 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.
12. 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.

13. To summarise movements within Appendix 2 as at 18 February 2022:

- a. New – Eyres Monsell Primary School
- b. Ongoing/extended - GDPR; Financial Management & School Governance - LA Scheme for the Financing of Schools; Social Value within Procurement
- c. Closed – Financial Management & School Governance - SEND funding (part) Government Procurement Card (GPC).

### **Compiling the 2022-23 Internal Audit Plan**

14. The HoIAS has taken the same approach to researching and compiling the internal audit plan for the forthcoming year. This has included: -

- a) Consulting on emerging risks, planned changes and potential issues with the statutory and other senior officers.
- b) Evaluation of wider governance arrangements e.g. the most up to date risk registers, plans and committee reports
- c) 'Horizon scanning' new and emerging risks from professional and industry sources
- d) Comparisons against similar councils' audit plans

15. A draft plan has been produced and provisionally discussed with the Deputy Director of Finance, but some clarifications are required before it is presented to the Corporate Management Team for review and approval.

16. The Internal Audit Plan for 2022-23 will be presented to the Committee at its next meeting

### **Financial Implications:**

17. None

### **Legal Implications:**

18. None.

### **Equal Opportunities Implications**

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

### **Climate Emergency Implications:**

20. 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)?**

21.No.

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

22. 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**

Neil Jones, Head of Internal Audit & Assurance Service  
Leicestershire County Council  
Tel: 0116 305 7629  
Email: [neil.jones@leics.gov.uk](mailto:neil.jones@leics.gov.uk)

**Appendices**

- Appendix 1 - Summary of Internal Audit Service work undertaken between 28<sup>th</sup> October 2021- 31<sup>st</sup> January 2022
- Appendix 2 - High Importance Recommendations as at 18<sup>th</sup> February 2022.