

**Leicester City Council  
Head of Internal Audit Service  
Annual Report 2021-22**

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**22<sup>nd</sup> June 2022**

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**Background**

1. A common set of Public Sector Internal Audit Standards (PSIAS) was adopted in April 2013 and revised from April 2017. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) as follows: -
  - i. The Mission of Internal Audit
  - ii. Definition of Internal Auditing
  - iii. Core Principles for the Professional Practice of Internal Auditing
  - iv. Code of Ethics
  - v. International Standards for the Professional Practice of Internal Auditing
2. Additional requirements and interpretations for the local government sector have been inserted into the PSIAS and all principal local authorities must make provision for internal audit in accordance with the PSIAS.
3. The objectives of the PSIAS are to: -
  - a. define the nature of internal auditing within the UK public sector
  - b. set principles for carrying out internal audit in the UK public sector
  - c. establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations
  - d. establish the basis for the evaluation of internal audit performance and to drive improvement planning
4. The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' (Audit & Risk Committee) timed to support the annual governance statement.
5. The PSIAS state that the annual report must include:
  - a. an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment (i.e. its framework of governance, risk management and internal control) and disclosure of any qualifications to the opinion, together with the reasons for the qualification
  - b. a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies) and disclosure of any impairments or restriction in scope
  - c. a comparison of the work actually undertaken with the work that was planned including a summary of the performance of the internal audit function against its performance measures and targets
  - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) and progress against any improvement plans resulting from a QAIP external assessment.
  - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

## **The Annual Internal Audit Opinion on the Adequacy and Effectiveness of Leicester City Council's Control Environment**

6. **Annex 1** provides detail on how the annual internal audit opinion was formed, explains the types of audits undertaken, the components of the control environment and what it is designed to achieve, and provides a caveat on any opinions reached.
7. The opinion is based on an objective assessment of the results of individual audits undertaken, actions by management thereafter and the professional judgement of the HoIAS in evaluating other related activities including the Council's plans and responses received. For 2021-22, the HoIAS reviewed actions taken to promote good governance, mitigate risk and retain control throughout the continuing coronavirus. The following opinion has been reached:

**HolIAS opinion: Whilst Covid-19 and other staff absences and unplanned vacancies (along with a corresponding difficulty to recruit) caused some disruption to resources, there was a return to more assurance than consulting work, however the requirement to certify grants remained a burden. Nevertheless the HoIAS considers there was just sufficient internal audit coverage across the control environment to be able to give an opinion.**

**Whilst a number of audits returned partial assurance ratings, management accepted and responded to recommendations. Nothing else of significance has been brought to his attention so the HoIAS considers that during 2021-22, reasonable assurance can be given that the Council's control environment remained overall adequate and effective.**

8. At the 30<sup>th</sup> April 2022, the outcomes of 13 audits (three from 2020-21) hadn't been concluded with management. Whilst some recommendations will be made, their outcomes will not affect the overall opinion given.

### **A summary of the audit work from which the opinion is derived**

9. **Annex 2** lists the audits and other work undertaken by LCCIAS during the year and where appropriate contains the individual audit opinion.
10. Nineteen prior year audits were concluded showing the combined effect of covid on both organisations. Progressing the agreed 2021-22 plan continued to be affected by the impacts of covid and as such a number of assurance audits were postponed. Grants certifications used up a lot of resource which was common across all local authorities.
11. Overall, for work completed at 30<sup>th</sup> April, 20 audits returned a 'substantial' assurance' rating, meaning the controls in place to reduce exposure to risks to achieving the system's objectives were well designed and were being operated effectively.
12. 6 audits resulted in partial assurance ratings. This was because either specific high importance (HI) recommendations (or a combination of several

important recommendations) were identified denoting there was either an absence of, or a weakness in control and achievement of the service's objectives was open to material risk exposure. HI recommendations/partial assurance ratings are reported in summary to the Audit & Risk Committee (the Committee) and they stay in the Committee's domain until the HoIAS has confirmed (by obtaining evidence or even specific re-testing) that action has been implemented. The HoIAS remains on the whole satisfied that senior management and Members pay attention to the implementation of HI recommendations/partial assurance ratings. However, he will actively monitor and report slippage in implementation which might indicate increasing pressures and strains on the control environment.

13. Each of the three 'major financial systems' audits (debtors, treasury management and payroll) returned positive assurance ratings as did an audit of finance roles & responsibilities.
14. Conclusion of the regular key ICT controls work was delayed and remains in draft with a partial assurance rating.
15. As they re-opened, two maintained school were able to be audited. Four themed audits of school governance arrangements took place.
16. Advice was given on MOT Booking Systems and Stock Order Process.
17. 32 grants and other claims and returns were reviewed and certified as accurate. This was a further increase by 9 on the previous year.
18. 2 follow up audits were conducted. This is invariably where high importance (HI) recommendations or other partial assurance ratings have previously been made. Progress against implementing HI recommendations/partial ratings is monitored and reported to Committee each meeting. 5 follow ups remained in progress at 30<sup>th</sup> April 2022.
19. The PSIAS require that the HoIAS should disclose where reliance is placed on work by other assurance bodies. No reliance has been placed in 2020-21.

**A comparison of work undertaken with work planned including a summary of the performance of the internal audit function**

20. The tables below show performance both in terms of number of audits and days allocated.

**Table 1: Overall performance against 2021-22 internal audit plan**

<b>Position as at 30 April 2022</b>	<b><u>Total</u></b>	<b><u>Complete</u></b>	<b><u>Draft issued</u></b>	<b><u>In progress</u></b>	<b><u>Postpone or Cancel</u></b>
Assurance audits	39	26	5	8	11
Consulting audits	2	2	-	-	-
Grants/other	32	32	-	-	5
Follow ups	7	2	-	5	-
<b>Total</b>	<b>80</b>	<b>62</b>	<b>5</b>	<b>13</b>	<b>16</b>

21. The 2021-22 plan contained several potential areas for audit that for a variety of reasons didn't come to fruition. Some have been included in the 2021-22 plan.
22. For the period 1st April 2021 to 31st March 2022, 641 days were recorded which was just sufficient coverage to be able to form an opinion. Whilst there were some delays in progressing audits with City staff, there was also a short period when LCCIAS suffered vacancies some sickness absences, which affected progressing audits. A reduction in payment will be agreed with the Deputy Director of Finance.

Results were: -

<b><u>Function</u></b>	<b><u>2020-21</u></b>	<b><u>2021-22</u></b>
Audits (assurance, consulting, investigations)	515	<b>542</b>
Client management – includes committees	119	<b>99</b>
<b>Total</b>	634	<b>641</b>

23. Over half of the time was provided by senior/experienced staff as follows: -

<b><u>Position</u></b>	<b><u>Days</u></b>	<b><u>%</u></b>
HolAS & Audit Managers	158	25
Senior Auditors & ICT Auditor	166	26
Other	317	49
<b>Total</b>	<b>641</b>	<b>100</b>

24. Synergy was achieved i.e. where the same audit has been undertaken at the City and County Councils (especially grants).
25. LCCIAS regularly liaise with the Council's risk, counter fraud, procurement and information governance leads, shares consultation responses and governance and risk research and publications and feeds back information gathered from other local authorities to enable comparisons. Examples are shown at the end of annex 2.
26. Only seven customer satisfaction questionnaires were returned but all were satisfied with the audit process.

**A statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)**

27. The HoIAS undertook a self-assessment of LCCIAS's conformance to the PSIAS **Annex 3** and confirmed that the County Council's internal audit activity generally conforms with the International Standards for the Professional Practice of Internal Auditing. Some actions in the Quality Assurance and Improvement Programme (QAIP) **Annex 4** are overdue
28. There were no significant deviations from the PSIAS.

**Any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement (AGS)**

29. The HoIAS provided some commentary on the draft AGS but nothing significant has come to his attention that would require reporting.

Neil Jones CPFA  
Head of Internal Audit & Assurance Service  
LCCIAS

22<sup>nd</sup> June 2022.