



Leicester
City Council

WARDS AFFECTED
All

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

15 April 2014

Internal Audit Plan 2014-15

Report of the Director of Finance

1. Purpose of Report

- 1.1. This report presents to the Audit & Risk Committee the Internal Audit plan for the financial year 2014-15 for approval and seeks views on priorities for Internal Audit work in the year ahead.

2. Recommendations

- 2.1. The Committee are asked:

- (i) To consider and approve the Internal Audit plan for 2014-15 (attached) and note the emerging context and anticipated priorities for next year's audit work
- (ii) To make such comments and recommendations as they see fit.

3. Summary

- 3.1. Each year, Internal Audit prepares an assessment of the City Council's audit needs, based on information from various sources on the Council's business objectives, the associated risks and other priorities. This is used alongside an estimate of audit staff resources available to determine the operational audit plans for the forthcoming year.
- 3.2. As in previous years, the 2014-15 audit plan will operate in the context of:
- (i) The budgetary pressures faced by the Council as a whole and by the Internal Audit service
 - (ii) The continuing need for effective control and assurance on the effectiveness of its corporate governance and internal control arrangements.

4. Report

4.1. Audit & Risk Committee role

4.1.1. The terms of reference for the Audit & Risk Committee include:

'To consider, challenge and approve (but not direct) Internal Audit's strategy and plan and monitor performance on an annual basis.'

4.2. The Internal Audit Plan

4.2.1. The principal component of the work of Internal Audit each year is the annual audit plan. The audit plan is designed to provide assurance to support the Council when considering its Annual Governance Statement and is prepared in compliance with the *Public Sector Internal Audit Standards*¹ and the Council's Internal Audit Charter.

4.2.2. The annual audit plan for 2014-15 and the basis of its preparation are given in the attached document. Rather than presenting a detailed list of specific audits, the plan is grouped into areas of audit. The intention is that, given the considerable uncertainties the Council faces, the audit plan can be readily adjusted to reflect changes in risks and priorities while maintaining a sufficiency of audit coverage for each of the relevant areas.

4.2.3. Note that this plan does not include numbers of audit days to be allocated to each area, with the exception of Environmental audits under the Eco-Management & Audit Scheme (EMAS) and Public Health (by specific agreement with the Director of Public Health). Audit time budgets will be determined when the terms of reference are agreed for each audit. They will take account of consultation at the time plus the implications of efforts to generate fee income by offering Internal Audit services to external organisations and academies. The capacity for Internal Audit to do this without affecting the sufficiency of the audit service for the City Council is under review along with the options available. The Audit & Risk Committee will be kept informed of any developments in this respect.

4.2.4. It is important to note that inclusion in the audit plan is not an absolute measure of risk. Nor does it imply that a system or process is poor. It does, however, indicate activities that most need to be subject to effective controls to manage identified risks. An effective control environment may include regular internal audit review.

4.2.5. The main areas of coverage in the Internal Audit generic plan for 2014-15 are:

- (i) Some or all of the significant financial systems, decided in conjunction with the Council's external auditor, KPMG.
- (ii) IT systems and security and the need for sound arrangements for information assurance and data quality.

¹ The *Public Sector Internal Audit Standards* took effect from 1 April 2013 and were issued jointly by CIPFA and the Chartered Institute of Internal Auditors. They set out the professional standards for internal auditors in accordance with recognised international professional practice.

- (iii) Corporate governance, so as to provide the necessary assurances for the preparation of the statutory Annual Governance Statement. (The framework for this will be on the agenda for the next meeting of the Audit & Risk Committee.)
- (iv) An emphasis on the audit of contracts, procurement and partnerships.
- (v) Schools, both individually and through thematic audits of such aspects as school governance.
- (vi) The requirements of the Council's continued accreditation for the Eco-Management and Audit Scheme (EMAS), with an emphasis on identified risks and the need for assurance on data quality.
- (vii) Grant certification audits, subject to the requirements of the respective funding agencies.
- (viii) Provision for responsive audits including value for money reviews.
- (ix) There will also be greater provision for specific follow-up audits. The aim is to give independent assurance on the actual implementation of audit recommendations, with particular reference to those arising from previous audits where 'little or no assurance' had been given.

4.2.6. It is stressed that this is a generic annual plan only, identifying the areas of audit coverage. Though some indications are given in the plan, the specific individual audits will be determined quarterly by consultation throughout the year. These quarterly plans and progress in delivering them will be reported via regular update reports to the Committee.

4.2.7. Mention should also be made of the Corporate Counter-Fraud Team, which was formerly part of Internal Audit. This service reports separately to the Head of Revenues & Benefits. Their work will, however, be coordinated where necessary with that of Internal Audit.

5. Financial, Legal and other Implications

5.1. Financial Implications

There are no direct financial implications arising from this report. However, as a result of the work carried out there would be an expectation that implementing recommendations made by Internal Audit will improve the effectiveness, efficiency and economy of service delivery, with potential for consequential reductions in cost or improvements in quality.

5.2. Legal Implications

The provision of 'an adequate and effective internal audit' is a statutory requirement under regulation 6 of the Accounts & Audit Regulations 2011. The whole audit process is also intended to give assurance that all the activities audited have in place satisfactory arrangements to ensure compliance with relevant law and regulation applicable within the scope of the particular audit review.

5.3. Climate Change Implications

Other than its references to the Eco-Management and Audit Scheme (EMAS), this report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

5.4. Other Implications

Other Implications	Yes/No	Paragraph/References within the Report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	Yes	4.2.5(vi): EMAS
Crime and Disorder	Yes	Whole report, plus paragraphs 4.2.5(ii) and 4.2.7. Part of the purpose of Internal Audit is to give assurance on the controls in place to prevent fraud and other irregularity such as breach of data security.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk Management	Yes	The whole report concerns the Internal Audit process, a main purpose of which is to give assurance to Directors and this Committee that risks are being managed appropriately by the business.

6. Background Papers – Local Government Act 1972

6.1. Files held by Internal Audit.

7. Consultations

7.1. All Directors, Heads of Finance and the Head of Information Assurance have been consulted in the preparation of the audit plan. It has also been shared with the external auditors, KPMG, and takes account of their comments.

8. Report Author

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