



Leicester
City Council

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Finance Management Team	12 June 2014
Corporate Management Board	6 August 2014
Audit & Risk Committee	30 July 2014

Internal Audit – 2nd Quarter Operational Plan 2014-15

Report of the Director of Finance

1. Purpose of Report

1.1. Finance Procedure Rule 7.2.1 states that:

‘The Head of Audit shall prepare and agree with the Chief Finance Officer an Annual Audit Operational Plan which will set out the intended work of Internal Audit over the coming year. The plan shall be based on an objective assessment of need arising from an analysis of risk and shall be approved, but not directed, by the Audit Committee.’ (sic)

1.2. The Internal Audit Plan for 2014-15 was prepared on the basis of broad areas of audit coverage rather than detailed lists of specific audits. It was considered by the Strategic Management and Operational Boards and was approved by the Audit & Risk Committee on 15 April 2014. It is supplemented by quarterly detailed operational plans.

1.3. In addition, the terms of reference of 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.’

1.4. This report presents to the Committee the detailed operational audit plan for the second quarter of the financial year 2014-15.

2. Recommendations

2.1. The Audit & Risk Committee is asked to note the Internal Audit operational plan for the second quarter of 2014-15, attached at Appendix A.

3. Report

- 3.1. Rather than presenting a detailed list of specific audits, the annual audit plan is grouped into areas of audit. The intention is that, given the continuing uncertainties the Council currently 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.
- 3.2. The generic annual plan is then translated into detailed quarterly plans as the year progresses, setting out Internal Audit's intended work for each forthcoming quarter. These plans take into account emerging risks and requests for audit involvement alongside seasonal or other external factors that influence the timing of audit work. For example, grant certifications audits are determined by the submission deadlines of the relevant funding agency.
- 3.3. The detailed operational plan for the second quarter (Q2) of 2014-15 is attached at Appendix A. The following are worthy of note:
 - a) During Q2, many services and their support functions will be relocating because of the need to vacate New Walk Centre. This includes Internal Audit, which is due to move into City Hall. At the time of writing, the exact implications of this are unknown but they will affect the delivery of audit work. Internal Audit will agree the timing of each audit review with the service management involved. For this reason and because of other deferrals of work previously planned, the Q2 audit plan makes some allowance for completion of existing work commitments.
 - b) There is no specific provision for **main financial systems** audits in Q2 because a major programme of work on these has been undertaken in Q1. This was to ensure sufficient coverage of the whole of the financial year 2013-14 so that the external auditor can place reliance on Internal Audit's work should they wish.
 - c) **IT audit** will seek to assess the controls in place to manage areas of specific risk identified in consultation with the Head of Information Assurance. They chiefly concern the migration of data to the new Housing and Property IT systems and the security of customer data. In planning IT audits, Internal Audit is mindful of the move in early July of the ICT data centre from New Walk Centre to Beaumont Leys.
 - d) **Establishment audits** will concentrate on the assets and inventories in the Museums Service, in parallel with the IT audit of the electronic point-of-sale system in Museums. The previously planned audit of the *Visit Leicester* Centre, which recently came under Council control, has been deferred by agreement with the client into Q2 to allow management to undertake their own assessment of internal control processes before seeking assurance from Internal Audit as to their effectiveness.
 - e) **EMAS** (Eco-Management & Audit Scheme) work features prominently in Q2. It includes annual audit processes covering the financial year 2013-14 plus an

audit of one of the Council's corporate environmental priorities. Work continues in conjunction with the Council's Environment Team to develop the EMAS audit process. The aim is to make best use of limited audit resources and ensure coverage is directed towards the areas of greatest materiality to the Council's EMAS accreditation.

- f) Q2 includes several **grant certification audits** in accordance with the requirements of the relevant funding agencies.
- g) Finally, a significant outline provision is made for **follow-up** of previous audit recommendations. Internal Audit has revised the process so as to strengthen the independent confirmation that corrective actions have been demonstrably made to address identified weaknesses in controls.

- 3.4. It should be borne in mind that the quarterly plans refer to audits due to be started. Inevitably, they are not all completed within the quarter so there will be residual work to complete audits started in previous quarters.
- 3.5. In identifying the audits for the quarterly plans, due regard is had to the generic areas of audit set out in the annual audit plan and the need to ensure sufficient coverage of each by the end of the financial year.
- 3.6. The move to quarterly planning is intended to align Internal Audit's work as closely as possible to current priorities and circumstances. Nonetheless, urgent requirements may still arise that cannot wait until the next quarterly plan and have to be accommodated immediately on the basis of risk to the Council.

4. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

4.1. 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. (*Colin Sharpe, Head of Finance, x37 4081*)

4.2. Legal Implications

The provision of 'an adequate and effective internal audit' is a statutory requirement under regulation 6 of the Accounts & Audit (England) 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. (*Kamal Adatia, City Barrister & Head of Standards, x37 1401*)

4.3. 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. (*Duncan Bell, Senior Environmental Consultant, Environment Team, x37 2249*)

5. Other Implications

Other Implications	Yes/No	Paragraph/References within the Report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	Yes	3.3(e) and Appendix 1: EMAS.
Crime and Disorder	Yes	Whole report and particularly 3.3(c) and Appendix 1: IT audit. 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	
0Corporate 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 the Audit & Risk 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. The quarterly audit plans are prepared in consultation with the Finance Management Team (which includes all Heads of Finance) and all Directors via the Corporate Management Board.

8. Report Author

8.1. Steve Jones, Audit Manager, Internal Audit, Financial Services, x37 1622 (0116 454 1622). Steve.jones@leicester.gov.uk

Set out below are the individual audits expected to be started in the first quarter of 2014-15.

This is subject to:

- Client or process availability and readiness for audit
- Internal Audit resources
- Urgent commissioned work.

Audit	Lead Department and Division	Audit area	Planned days	Scope	Notes
Open Housing IT system - data migration	Corporate Resources (Information & Customer Access)	IT audit	10	Assurance to management that data migrated from old Open Housing (Capita) system to the new OH (Northgate) system is transferred accurately and completely.	This audit was included in the Q1 plan at which time the go-live date for the system was to be 1 April 2014. Internal Audit later learned the go-live date is October 2014, making the timing for this audit better suited to Q2.
Customer Data Integration (CDI)	Corporate Resources (Information & Customer Access)	IT audit	10	The aim of CDI is to gather information from across the organisation to present a true consistent, accurate, single view of data held about the Council's customers. The security and robustness of this major data-handling process are crucial to manage the major risks involved.	Ongoing throughout the year.
Concerto (Property and Asset Management System)	City Development & Neighbourhoods (Property)	IT audit	10	Concerto is a replacement system for PAMIS (the property and asset management system). Assurance to management that data migrated from PAMIS to Concerto is transferred accurately and completely.	

Appendix A
Internal Audit 2nd quarter operational plan 2014-15

Audit	Lead Department and Division	Audit area	Planned days	Scope	Notes
Museums EPOS	City Development & Neighbourhoods (Cultural & Neighbourhood Services)	IT audit	10	The review will test the EPOS (electronic point-of-sale) controls to ensure data accuracy and confidentiality.	
Museums Assets & Inventories	City Development & Neighbourhoods (Cultural & Neighbourhood Services)	Cash audits and establishments	20	Review of the completeness and accuracy of the Museums inventory.	Work by the Risk Management & Insurance Team has identified significant discrepancies in valuations of the museum inventory. (Audit deferred from 2013-14 at client request.)
<i>Visit Leicester</i> Centre	City Development & Neighbourhoods (City Centre)	Cash audits and establishments	10	Review of the cash handling and related financial procedures, including sales stock and reconciliation procedures.	The Visit Leicester Centre transferred to direct City Council responsibility on 1 April 2014. This audit has been rescheduled by agreement with the Head of Finance.
Corporate Governance – Annual Governance Statement	Corporate Resources (City Barrister & Head of Standards)	Corporate governance	2	The assurance processes in place to determine compliance with the Council’s Local Code of Corporate Governance and do so in a way that balances administrative efficiency with a robust and reliable assessment.	This work follows the annual review of the Council’s assurance framework. It is intended to contribute towards the preparation of the Annual Governance Statement, which will be the main output from this work and will be presented in due course to the Audit & Risk Committee.

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Audit	Lead Department and Division	Audit area	Planned days	Scope	Notes
EMAS Level 2: Street Cleanliness	City Development & Neighbourhoods (Property)	Environmental Audit	20	Audit of the environmental data collection process for corporate environmental priority ' <i>Objective 6: Improve the environmental quality of public streets and footways</i> '. Audit of the Council's approach to managing street cleanliness including complaints handling and compliance with relevant environmental legislation.	Following the corporate review of EMAS, the role of Internal Audit has been revised. Internal Audit will carry out audits on specific environmental themes, whereas Corporate Health & Safety (H&S) will undertake the site-specific EMAS audit work alongside their programme of H&S inspections.
EMAS Level 4: Audit of draft Interim Environmental Statement 2013-14	City Development & Neighbourhoods (Property)	Environmental Audit	5	Independent review of the draft interim environmental statement.	The published environmental statement is a central component of the Council's public accountability for its environmental stewardship.
EMAS Audit Annual Report for 2013-14	City Development & Neighbourhoods (Property)	Environmental Audit	3	Review of 2013-14 EMAS audit findings.	This report will feed into the annual EMAS Management Review report (prepared by the Environment Team for presentation to the Executive).
Teachers' Pension Return	Corporate Resources (Financial Services)	Grant Certification	10	Certification of return in line with the guidelines provided	Internal Audit preliminary work, prior to final sign-off by external auditor.
NNDR Return (if internal audit certificate required)	Corporate Resources (Financial Services)	Grant Certification	10	Certification of return in line with the guidelines provided; details are awaited from DCLG.	

Audit	Lead Department and Division	Audit area	Planned days	Scope	Notes
Local Transport Plan (Specific grant 2013/14: No. 31/2150)	City Development & Neighbourhoods (Planning, Transportation & Economic Development)	Grant Certification	8	Certification in line with grant determination.	To give independent confirmation on the appropriate use of Local Transport Capital Block funding. Grant certification submission deadline 30 September 2014.
Local Pinch Points Fund (LPPF) (Specific grants 2013/14: Nos. 31/2183 and 31/2274)	City Development & Neighbourhoods (Planning, Transportation & Economic Development)	Grant certification	12	The 2013-14 LPPF grant claim in line with the Department for Transport (DfT) certification guidelines.	To give independent confirmation on the appropriate use of Local Pinch Point funding. Grant certification submission deadline 30 September 2014.
Additional Highways Maintenance Funding. (Specific grant 2013/14: No. 31/2163)	City Development & Neighbourhoods (Planning, Transportation & Economic Development)	Grant certification	3	Certification in line with grant determination.	To give independent confirmation on the appropriate use of the Additional Highways Maintenance funding. Grant certification submission deadline 30 September 2014.
Leaseholder Reserve Funds	Housing	Certification	15	Leaseholder charges certification to ensure compliance with the relevant guidelines. Includes follow-up of previous audit recommendations.	Independent annual certification required under the leaseholder scheme for right-to-buy properties.

Appendix A
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Audit	Lead Department and Division	Audit area	Planned days	Scope	Notes
Service charges	City Development & Neighbourhoods (Property)	Certification	5	Independent audit of service charges paid by a commercial lessee for the year ending 31 March 2014.	Under the lease agreement there is requirement for the services charges recharged by the Council to be independently audited. Internal Audit has been requested to carry out this audit, having provided this service in previous years.
Follow-up audits	Various	Follow-up audits	100	Evidence-based follow-up of past audit recommendations to assess progress made in implementation.	<p>Audit recommendations are agreed with service management in order to strengthen the controls in operation to protect the Council's interests. This work is intended to ensure that agreed actions are demonstrably put into effect.</p> <p>The provisional allocation is high because of the need to clear a significant number of audits completed over the past year and the more detailed methodology. Experience gained will inform planning of future follow-up audits.</p>
TOTAL			263		