



Leicester  
City Council

## FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee

1<sup>st</sup> July 2015

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### Internal Audit – 2<sup>nd</sup> Quarter Operational Plan 2015-16

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#### 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 2015-16 has been prepared on the basis of broad areas of audit coverage rather than detailed lists of specific audits. It was considered by the Corporate Management Board and was approved by the Audit & Risk Committee on 31<sup>st</sup> March 2015.

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 2015-16. It has been agreed by the Corporate Management Team and the Finance Management Team.

##### 2. Recommendations

2.1. The Audit & Risk Committee is asked to note the Internal Audit operational plan for the second quarter of 2015-16, 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 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, school audits fall within the school terms and are chiefly planned to coincide with the new academic year, while other audits such as grant certifications are determined by the submission deadlines of the relevant funding agency.
- 3.3. The detailed operational plan for the second quarter of 2015-16 is attached at Appendix A. The following are worthy of note:
- a) **IT audit** will assess the security arrangements in place on major new or enhanced IT systems.
  - b) **Grant certification audits**, to provide audit certificates in line with the requirements of the relevant funding agencies.
  - c) Continuing work on **Regional Growth Fund** and **City Deal** grant payment verifications on behalf of the Leicester and Leicestershire Enterprise Partnership (LLEP). This is a continuation of work started in 2014-15.
  - d) Finally, some provision is made for **follow-up** of previous audit recommendations to provide 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 process of using a generic annual audit plan supplemented by quarterly detailed audit plans is well established. It is intended to align Internal Audit's work as closely as possible to current priorities. This allows what were previously 'commissioned' audits that fall within the remit of the statutory audit service to become fully part of the audit plan. The aim is then for Internal Audit to deliver the whole of this more flexible plan, subject to factors beyond Internal Audit's direct control. Having said that, 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.
- 3.7. Internal Audit has been actively pursuing opportunities for income-generating work for other organisations and local authorities. Work with the Leicester and Leicestershire Enterprise Partnership (LLEP) continues. A partnership arrangement with the Internal Audit service at one large local authority is under negotiation at the time of writing, having been agreed in principle. We are also in negotiation with another local authority for specialist IT audit support. Whilst there could be some short-term implications for the City Council's audit plan arising from the need to manage and resource the start of such contracts, in the medium to longer term such work will enable Internal Audit to retain a wider range of auditors and specialities and

maintain or improve economies of scale and resilience, to the City's benefit. Consequently, the second quarter audit plan remains flexible pending confirmation of the extent and timing of this work. In addition, one member of the Internal Audit team is leaving the Council in July, reducing the resources available at least in the short term.

#### **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**

As no EMAS environmental audits are planned to start in the second quarter, 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.

*Louise Buckley, Senior Environmental Consultant, Climate Change, x37 2293*

#### **5. Other Implications**

<b>Other Implications</b>	<b>Yes/No</b>	<b>Paragraph/References within the Report</b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	Yes	Whole report and particularly 3.3(a) 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	

Other Implications	Yes/No	Paragraph/References within the Report
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 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 audit plan has been prepared in consultation with the Strategic and Operational Directors; Finance Management Team (which includes all Heads of Finance) and the Head of Information Assurance.

## 8. Report Author

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

Set out below are the individual audits expected to be started in the second quarter of 2015-16.

This is subject to:

- Client or process availability and readiness for audit
- Internal Audit resources
- Urgent commissioned work, either for the City Council or on an income-generating basis for external organisations.

Audit	Lead Department and Division	Audit area	Scope	Notes
Corporate Governance – Annual Governance Statement	Corporate Resources (City Barrister & Head of Standards)	Corporate Governance	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.
Information Governance	Children's Services (Learning, Quality & Performance)	IT Audit	A review of the extent to which staff in Learning, Quality & Performance are aware of their responsibilities under data protection and information governance law and policy.	Provisional; subject to audit resources available.
Social Media	Corporate Resources (Delivery, Communications & Political Governance) (Information Services)	IT Audit	The Council makes increasing use of social media such as Twitter as a prime means of communicating with customers, partner organisations and the public at large. The audit would seek to give assurance that social media are being used securely and effectively.	Provisional; subject to audit resources available.

Audit	Lead Department and Division	Audit area	Scope	Notes
IT security pen-tests - various	Corporate Resources (Information Services)	IT Audit	Technical IT audit testing of the security of new and upgraded IT systems and applications.	This is a continuing requirement as systems developments take place and is therefore dependent on the readiness of the systems and agreement with the lead officers. Individual systems to be tested are therefore subject to confirmation.
LiquidLogic (Social Care system) - data integrity	Adult Social Care (Care Services and Commissioning)  Corporate Resources (Information Services)	IT Audit	A review of the controls in place to ensure integrity of data in LiquidLogic and the interface between the operational processes and the resulting financial transactions.	The Divisional Director would welcome independent audit assurance on this important system. Provisional; subject to audit resources available.
Broadband Voucher Scheme	City Development & Neighbourhoods (Planning, Transportation & Economic Development)	Grant Certification	A review of the intended process for the voucher scheme being set up under the requirements of the BDUK Urban Broadband Fund.  This is the first stage of a two-stage audit. The second stage will be based on testing of a sample of claims made under the scheme and is scheduled for the final quarter of 2015-16.	The BDUK Urban Broadband Fund is operated nationally by the Department for Culture, Media and Sport to support superfast broadband connection for small and medium-sized enterprises. It will operate through a voucher scheme administered locally by the Council.

Audit	Lead Department and Division	Audit area	Scope	Notes
Local Transport Plan (Specific grant)	City Development & Neighbourhoods (Planning, Transportation & Economic Development)	Grant Certification	Certification of the 2014-15 grant claim in line with the Department for Transport (DfT) guidelines. To give independent confirmation on the appropriate use of Local Transport Capital Block funding.	Grant certification submission deadline 30 September 2015.
Local Sustainable Transport Fund (LSTF) (Specific grant)	City Development & Neighbourhoods (Planning, Transportation & Economic Development)	Grant certification	Certification of the 2014-15 LSTF grant claim in line with the Department for Transport (DfT) certification guidelines. To give independent confirmation on the appropriate use of Local Sustainable Transport Funding.	Grant certification submission deadline 30 September 2015.
Local Pinch Point Fund (LPPF) (Specific grant)	City Development & Neighbourhoods (Planning, Transportation & Economic Development)	Grant certification	Certification of the 2014-15 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 2015.

Audit	Lead Department and Division	Audit area	Scope	Notes
LLEP Regional Growth Fund payments (RGF3 and RGF4) (continued) and City Deal	City Development & Neighbourhoods (LLEP)	Grant certification audit	<p>The Leicester &amp; Leicestershire Enterprise Partnership (LLEP), for which the City Council is the accountable body, makes payments to businesses from the Regional Growth Fund to support investment and job creation by those businesses.</p> <p>In addition, Internal Audit is reviewing the grant claim for the Loughborough University Science and Enterprise Parks (LUSEP) under the City Deal.</p> <p>The LLEP team requested Internal Audit support in the independent verification of grant-funded expenditure by the businesses supported.</p>	<p>This is a continuation of a major programme of work that started in 2014-15.</p> <p>The audit time needed for this work depends upon the volume of work involved, which is not yet known at the time of writing as it will be undertaken on a case-by-case basis. It is significant, however, in view of the number of cases and the deadlines imposed by the DCLG.</p>
Follow-up audits	Various	Follow-up audits	Evidence-based follow-up of past audit recommendations to assess progress made in implementation.	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.