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Leicester
City Council

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Audit & Risk Committee   **2nd December 2015**

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Internal Audit – 3rd and 4th Quarter Operational Plans 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 Director of Finance 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 all Directors via the Corporate Management Team and was approved by the Audit & Risk Committee on 31st 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 plans for the third and fourth quarters 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 plans for the third and fourth quarters of 2015-16, attached at Appendices A and B respectively.

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

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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 certification audits are determined by the submission deadlines of the relevant funding agency.

3.3. As well as providing internal audit services to the City Council, Internal Audit is providing or planning to provide audit services to other local authorities on a traded basis. This generates income that supplements the Council's budget provision for the Internal Audit team and thereby helps to maintain a sufficient spread of audit coverage including specialist areas. The most significant traded activity is with Lincolnshire County Council and it is anticipated that this partnership arrangement will develop further. However, as this audit plan covers the City Council only, no further detail of work done for other external clients is provided here.

3.4. The detailed operational plan for the third quarter (Q3) of 2015-16 is attached at Appendix A. The following are worthy of note:

a) As it coincides with the new academic year, Q3 sees a resumption of **schools** audit visits supplemented by a programme of follow-ups of schools audits done in 2014-15. This work will include repeat audits of the Pupil Referral Units to review progress made since the last audits were completed in 2014.

b) Under the broad heading of **other operational risks**, Internal Audit will be starting some assurance work on the action plan prepared in response to the Ofsted review of Children's Services.

c) Verification work continues in connection with the **Regional Growth Fund** (RGF) payments to businesses via the Leicester & Leicestershire Enterprise Partnership (LLEP), for which the City Council is the accountable body.

d) Provision is also made for **follow-up** of previous audit recommendations by means of independent confirmation that corrective actions have been demonstrably made to address previously identified weaknesses in controls.

e) Though not specifically identified in the audit plan for Q3, **IT audit** will chiefly consist of completion of existing planned work and follow-up of previous audits. The technical IT Auditor left the Council in October for an opportunity elsewhere and a replacement is being sought at the time of writing. Accordingly, no specific IT audits are listed for Q3.

3.5. The detailed operational plan for the fourth quarter (Q4) of 2015-16 is attached at Appendix B. The following are worthy of note:

a) Subject to successful recruitment of a technical IT auditor (see paragraph 3.4(e) above), **IT audit** work is expected to resume on the security testing of

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new and enhanced IT systems. In particular, two service developments in **Customer Services** are due for such work.

b) Audit reviews of compliance with NICE[1] guidance for **Public Health** will continue. There are numerous categories of guidance and the specific topic is to be agreed at the time of writing.

c) Continuation in the spring term of the programme of audits of **schools** including follow-ups of previous visits.

d) Certification audit work on **grant** claims.

e) As in Q3, there will be continued work on **Regional Growth Fund** grant payment verifications on behalf of the LLEP.

f) **Follow-up work** on various previously completed audits will continue.

3.6. 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.

3.7. 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.

3.8. 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 effective internal audit' is a statutory requirement under regulation 5(1) of the Accounts and Audit Regulations 2015. 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

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[1] National Institute for Health and Care Excellence

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4.3. Climate Change Implications

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, 37 2293

5. Other Implications

Other Implications	Yes/No	Paragraph/References within the Report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	Yes	Whole report and particularly 3.4(e), 3.5(a) and Appendix B: 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	
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

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Set out below are the individual audits expected to be started in the third 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
Schools financial audits (3 schools in Q3)	Education & Children's Services (Learning Services)	Schools	Routine audits of the financial management arrangements at the schools against the higher-priority areas of the *Keeping Your Balance* good practice guidance issued by Ofsted and the Audit Commission.	6 audits planned in total: 3 in Q3 and 3 in Q4.
Schools - follow-ups of previous visits (9 schools)	Education & Children's Services (Learning Services)	Schools	Evidence-based follow-ups of previous school audits to assess the extent to which past recommendations have been implemented.	These follow-ups will be of a mixture of full *Keeping Your Balance* financial audits and SFVS spot-checks undertaken in 2014-15.
Pupil Referral Units - Primary (including follow-up of previous audit)	Education & Children's Services (Learning Services)	Schools	Review of the financial management arrangements for the primary PRUs using the criteria set out in the Schools Financial Value Standard (SFVS). This will include follow-up of recommendations made in the last audit in 2014.	This was initiated as a follow-up of previous recommendations. However, in view of Audit & Risk Committee interest and management changes, it is likely that this audit will be re-performed in full.
Pupil Referral Units - Secondary (including follow-up of previous audit)	Education & Children's Services (Learning Services)	Schools	Review of the financial management arrangements for the secondary PRUs using the criteria set out in the Schools Financial Value Standard (SFVS). This will include follow-up of recommendations made in the last audit in 2014.	This was initiated as a follow-up of previous recommendations. However, in view of Audit & Risk Committee interest and management changes, it is likely that this audit will be re-performed in full.

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Audit	Lead Department and Division	Audit area	Scope	Notes
Ofsted review of Children's Services – review of action plan	Education & Children's Services (Social Care & Safeguarding)	Other operational risks	Independent internal review of action planned in a selection of high-priority areas in response to the Ofsted recommendations. This will be the first phase of audit work to be done in stages over the remainder of the current financial year and into 2016-17.	Audit & Risk Committee interest.
School Centred Initial Teacher Training (SCITT)	Children's Services (Learning Services)	Grant certification audit	Grant certification in line with the funding guidance.	This audit is done at the request of the City's lead school for the SCITT process.
LLEP Regional Growth Fund payments (RGF3 and RGF4) (continued)	City Development & Neighbourhoods (LLEP)	Grant certification audit	The Leicester & 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. The LLEP team requested Internal Audit support in the independent verification of grant-funded expenditure by the businesses supported.	This is a continuation of a major programme of work that started in 2014-15. 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.
Follow-up audits - other	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.

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Set out below are the individual audits expected to be started in the fourth 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
IT security pen-tests - various as required	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. Continuation of this service is also subject to the successful recruitment to the ICT Auditor post as the current postholder left the Council in October 2015.
Customer Relationship Management (CRM) system	Corporate Resources (Finance)	IT Audit	IT security review of the new CRM system. This is due to go live in January in the Customer Services Centre for managing face-to-face and telephone dealings with the public. The second stage, a customer portal and self-service solution, is due to be introduced in April 2016.	This audit depends on the successful recruitment of a technical IT auditor.

Audit	Lead Department and Division	Audit area	Scope	Notes
Customer Services - Payment Kiosks	Corporate Resources (Finance)	IT Audit	Customer service kiosks have been installed in the Customer Services Centre and more are planned for libraries and leisure centres. The audit will review the IT security arrangements so as to give assurance that the kiosks cannot be manipulated by malicious users.	This audit depends on the successful recruitment of a technical IT auditor.
Public Health – compliance with NICE Guidance	Adult Social Care, Health & Housing (Public Health)	Public Health	Reviews of compliance with National Institute for Health and Care Excellence (NICE) guidance. The specific topic is to be agreed with the Director of Public Health.	This is part of a programme of audits being undertaken during 2015-16.
Schools financial audits (3 schools in Q4)	Education & Children's Services (Learning Services)	Schools	Routine audits of the financial management arrangements at the schools against the higher-priority areas of the *Keeping Your Balance* good practice guidance issued by Ofsted and the Audit Commission.	6 audits planned in total: 3 in Q3 and 3 in Q4.
Schools - follow-ups of previous visits (9 schools)	Education & Children's Services (Learning Services)	Schools	Evidence-based follow-ups of previous school audits to assess the extent to which past recommendations have been implemented.	These follow-ups will be of a mixture of full *Keeping Your Balance* financial audits and SFVS spot-checks undertaken in 2014-15.

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Audit	Lead Department and Division	Audit area	Scope	Notes
Troubled Families Programme	Children's Services (Children, Young People and Families)	Grant certification audit	Sample testing of the claim covering September to December 2015.	The DCLG financial framework for the Troubled Families Programme identifies the role of Internal Audit in verifying the results achieved through the scheme. This is to be done by reference to the Council's Troubled Family Outcomes Plan. The claims are submitted periodically and require audit work prior to submission.
Broadband UK (BDUK) interim grant certification	City Development & Neighbourhoods (Planning, Transportation & Economic Development)	Grant certification audit	Sample check of Broadband vouchers issued under this national scheme to help local businesses obtain superfast broadband internet access.	This is the first testing-based audit of a sample of vouchers issued. It follows a review of the system in place for assessing and issuing the vouchers. It will be followed in 2016-17 by a certification audit for the remainder of financial year 2015-16.
LLEP Regional Growth Fund payments (RGF3 and RGF4) (continued)	City Development & Neighbourhoods (LLEP)	Grant certification audit	The Leicester & 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. The LLEP team requested Internal Audit support in the independent verification of grant-funded expenditure by the businesses supported.	This is a continuation of a major programme of work that started in 2014-15. 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.
Follow-up audits	Various	Follow-up audits	Evidence-based follow-up of past audit recommendations to assess progress made in implementation.	

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