



Internal Audit
Leicester City Council

Appendix A - Draft Internal Audit Plan 2016-17

February 2016

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| Lead Department | Audit Area | Reason for inclusion | Scope | Timing ¹ |
|--|---|--|---|---|
| WORK FUNDED THROUGH LEICESTER CITY COUNCIL BUDGET | | | | |
| Finance (Corporate Resources) | <p>Significant Financial Systems, potentially including any or all of:</p> <ul style="list-style-type: none"> • Financial reporting including areas such as reconciliation procedures, suspense accounts, journals, bank reconciliation • Debtors • Creditors • Cash • Payroll • Capital Additions and Disposals • Council tax • NNDR (business rates) • Housing rents • Any others as may be identified by KPMG. <p>It may be that some of these will be covered on a cyclical basis by agreement with KPMG.</p> <p>Other financial systems as agreed.</p> | <p>Under an agreed joint working protocol, KPMG as the Council's external auditors will place reliance on Internal Audit's annual testing of key controls within these systems. It is partly through this reliance that the external audit fee will be reduced. If such reliance cannot be placed on Internal Audit's work, KPMG may undertake supplementary testing themselves and charge the Council an additional fee.</p> <p>Internal Audit's work on financial systems will not necessarily be confined to those considered 'significant' by the external auditor in terms of the Council's financial statements.</p> | <p>Specified key controls for each system, in the context of that system's contribution to the Council's published financial statements. Internal Audit may agree with the Director of Finance other areas of work according to the risks or priorities at the time.</p> <p>Internal Audit work on any or all of these systems may go beyond the required scope of the external audit work. The initial assumption is that the work will comprise walk-through testing to confirm the continued operation of processes and controls as understood or identify any material changes, supplemented by sample testing of transactions against the specified controls.</p> <p>The scope of the work is the whole of the previous financial year, 2015-16, including any specified year-end processes.</p> | <p>Q1 so as to be after the previous financial year-end</p> |

¹ This column gives a provisional indication where appropriate of the quarter of financial year 2016-17 in which the audit is intended to be started. The first quarter is denoted Q1, and so on. Such timings will be confirmed in the detailed quarterly audit plans throughout the year.

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| Information Services (Corporate Resources) | IT and information security audits | <p>All of the Council's business processes rely on information technology. In many areas there are significant information risks, chiefly associated with sensitive personal or commercial data. The quality of data held is also fundamental.</p> <p>In addition, there is an increasing need to share information with partner organisations; for example, in health and social care. It is essential that such data sharing is conducted properly.</p> <p>The aim is to protect the interests of all concerned including the Council and those about whom information is held.</p> | <p>A programme of audit reviews of the integrity, availability and security of IT infrastructure, hardware, software and data. These will include technical IT-based testing and scanning of security arrangements in operation. As well as data security, audit work will cover the quality and integrity of the data held.</p> <p>Specific audit coverage will include:</p> <ul style="list-style-type: none"> • IT General Controls: annual coverage in support of significant financial systems audits above. The timing will coincide with the financial systems audits, in the first quarter of the year. • Penetration testing - specialist IT audit testing of security in new and enhanced IT systems in accordance with corporate policy. | <p>Whole year</p> <p style="text-align: center;">Q1</p> <p>Whole year</p> |
| Corporate | Corporate Governance | Annual audit coverage of corporate governance arrangements with particular reference to the statutory requirement for the Annual Governance Statement (AGS). | Audit work will seek to give assurance on aspects of the Council's governance arrangements and the requirements of the Council's Local Code of Corporate Governance. It will include governance generally plus supporting processes including the management of risk, project assurance and performance management. | Q2 (AGS) |

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| Finance (Corporate Resources) | Contracts and procurement (including commissioning and partnerships) | <p>Contracting and procurement are a major risk area, given the high turnover and diversity of contractual expenditure for both capital and revenue purposes and the reliance on third-party suppliers and partners. There is a clear need for probity, integrity and value for money in all such arrangements.</p> <p>The Council's contract procurement and management processes have seen a significant overhaul, including updated Contract Procedure Rules and the development of corporate processes to promote local small and medium-sized businesses. Internal Audit has a role to play in giving assurance on the effectiveness of these processes.</p> | Audits covering the Council's corporate procurement and contracts processes. These will seek to identify whether due process has been followed and decisions have been properly made. | Whole year |
| Children's Services | Schools - General and Finance including <i>Keeping Your Balance</i> financial audits | The requirement for internal audit of schools is built in to the Council's statutory Scheme for Financing Schools. The aim is to give independent assurance to the schools and the Council that the processes for financial management are operating effectively. | Audit visits to primary, secondary and special schools to review their SFVS returns, financial processes and aspects of their governance arrangements. The audits will be based on the <i>Keeping Your Balance</i> best practice guidance, issued by Ofsted and the Audit Commission. In addition, there may be some audit work on the school admissions process. | Term times |
| City Development & Neighbourhoods (and possibly elsewhere) | Other operational risks - Compliance audit | Other areas of risk where independent assurance is sought on the Council's compliance with specific legal or regulatory requirements. | <p>To be determined but potential specific audits so far identified include:</p> <ul style="list-style-type: none"> • Vehicle Operator's Licence - compliance with requirements • Property-related statutory compliance such as but not limited to water hygiene, asbestos, electrical safety – monitoring arrangements. <p>These are subject to confirmation.</p> | As required |

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| Children's Services Adult Social Care | Other operational risks - Safeguarding | Ofsted's report published in March 2015 on its review of the Council's Children's Services identified this as a significant area of risk. The point was also referred to by the external auditors, KPMG, in their Annual Governance Report for 2014-15. The Audit & Risk Committee have sought assurance that suitably robust arrangements will be put in place to manage the risks. | It is expected that the audit work will cover: <ul style="list-style-type: none"> • Review of the Action Plan to ensure it fulfils the OFSTED requirements; and, • Progress reports at agreed times. Though the Ofsted report is specifically addressed to Children's Services, audit work may also apply to related processes in Adult Social Care. | Whole year as required |
| Various | Grant certification and expenditure verification | Various City Council services and their related expenditure are supported by grant or other external funding. There is often a requirement for independent Internal Audit certification that funds have been used in accordance with stipulated conditions. | <p>The various grants and returns specified by the funding agencies or the external auditor, tested according to the grant certification instructions or other requirements.</p> <p>The Department for Communities and Local Government (DCLG) interim financial framework for the Troubled Families Programme, administered by Children's Services, identifies the role of Internal Audit in verifying results achieved under the programme. Claims are submitted quarterly to DCLG and required audit verification work prior to submission.</p> | As required Whole year as required |
| Various | Consultancy and other Responsive Audits | <p>Internal Audit may be called upon, sometimes at short notice, to undertake responsive non-fraud investigative work. By definition, specific areas cannot be identified at this stage.</p> <p>The City Council is facing reduced budgets, and therefore there is a need to make savings wherever possible. Increasing efficiency and reducing wastage are more important than ever. Provision is made here for Internal Audit reviews where needed.</p> | Areas for review will be determined as required during the year according to urgent requirement or emerging risk. Specific terms of reference will be agreed for each. | As required |

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| Various | Follow-up Audits | There is a need to ensure that service management verifiably and sustainably implements agreed recommendations so that the organisation learns from its experience and addresses identified weaknesses in control. Internal Audit will revisit areas after reasonable time to implement recommendations has elapsed, especially those arising from audits for which 'little or no assurance' had been given. | Some of these are included in other rows above so are not repeated here. | Whole year |
| WORK FUNDED BY CLIENTS | | | | |
| The Leicester & Leicestershire Enterprise Partnership (LLEP) | | | Independent verification of grant-funded expenditure by the businesses supported through the Regional Growth Fund. A total of up to 50 days may be required for this work. | Q1-Q2 |
| Public Health | | | Governance, budgetary control and contract procedures. IT and data governance, subject to prevailing risks and priorities. Reviews of compliance with National Institute for Health and Care Excellence (NICE) guidance. A total of 30 audit days in 2016-17 has been agreed with the Director of Public Health. | Whole Year |
| Assurance Lincolnshire | | | General and IT Audit support. A total of 300 general and 80 IT Audit days will be provided. | Whole Year |
| Rotherham MBC | | | IT Audit support. A total of 50 IT Audit days will be provided. | Whole Year |