



CORPORATE GOVERNANCE COMMITTEE – 14 JUNE 2013

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INTERNAL AUDIT SERVICE AUDIT PLAN 2013-14

Purpose of the Report

1. To provide members with information about the contents of the Internal Audit Service Audit Plan 2013-14 for the County Council and audit resource allocated to other organisations.

Background

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the system of internal audit. One of its specific functions is to consider the annual audit plan, which is the prime document for giving details of where Leicestershire County Council Internal Audit Service (LCCIAS) will concentrate its efforts in 2013-14.

Construction of the 2013-14 Plan

3. The plan was constructed in the usual manner i.e. by gathering indications of current and emerging risks (from internal and external sources), including the significant changes affecting Leicestershire County Council due to the transfer in of the Public Health service, 'go live' and roll out of the East Midlands Shared Service, a reduced Children and Young People's Service (CYPS) due to the impact of academy conversions, and the continuing transformation and austerity agendas.
4. Information gathering occurred during the development of the Authority's approaches to risk management. The good work that officers and management had already done was evaluated to determine to what extent service, department and corporate risk registers could form the Internal Audit Plan. Whilst there has been improvement in consistently scoring risks and escalating them where necessary, it is the opinion of the Head of Internal Audit Service (HoIAS) that the developments to the risk management framework need time to embed. As such, full reliance cannot yet be placed on the registers, they only form part of the plan with

the traditional Internal Audit Service risk scoring around materiality, impact, likelihood and exposure ratings (MILE) also used. Nevertheless, LCCIAS is 'dovetailing' its scoring and terminology to meet the Authority approach.

5. Other factors have to be planned for such as: -
 - a. the requirement to undertake audits each year on the key financial systems which PwC (the Council's external auditors) places reliance on to enable it to reach an opinion that there is not material misstatement in the financial accounts
 - b. co-ordinating requests for information to support the National Fraud Initiative (NFI) for the Audit Commission
 - c. a small amount of work undertaken in relation to the HoIAS certifications for government departments and funding bodies
 - d. general advice on risks and controls; researching County related emerging issues, and consulting with departments and reporting back to them, the Director of Corporate Resources and the Committee
 - e. a contingency remains which includes time for any unplanned special investigations, including suspected frauds, and other unknowns such as staff vacancies arising or job overruns because of unforeseen findings.
6. LCCIAS also provides internal audit (through service agreements) for a number of organisations which are 'connected' to the County Council through its responsibilities as 'servicing authority' or 'accountable body' i.e. the Pension Fund, ESPO, East Midlands Councils and Bradgate Park Trust. The Service also contracts commercially with the Fire Authority, academy schools and some Leicestershire district councils for ICT audit. Extending the external client base is part of the Service strategy.
7. Allocations of time in 2013-14 to the County Council, related organisations and external clients are shown in Appendix 1. The reduction in County Council days is largely within CYPS and reflects the 'shift' of schools from maintained to academies and also that specific audits conducted in 2012-13 to evaluate how CYPS dealt with the transition, are not required in so much depth this year.
8. Appendix 2 shows the detailed plan for the County Council for 2013-14 by the six departments and 'consolidated risk' i.e. a risk that affects the corporate body not just individual departments. In some audits, the corporate framework design and governance arrangements will be reviewed and then tests in departments will evaluate whether the corporate guidance is being operated consistently. The column headed 'CRR' indicates a match to the corporate risk register. Each audit will

have a 'terms of engagement' which allows the auditor and risk owner to discuss and agree the scope of the audit in more detail. The plan has been approved by the Director of Corporate Resources, carrying out the responsibility delegated to him to carry out a continuous internal audit (Constitution - Financial Procedure Rule 15a).

9. Appendix 3 shows the detailed sorted by the 15 risks that form the summarised corporate risk register and a further five risk areas that the HoIAS considers are important. Appendix 4 is a pictorial version.
10. These two related ways of showing the allocation of the same scarce resource (by department and by risk) should give the Director of Corporate Resources and the Committee assurance that current and emerging risks are being adequately covered.
11. In summary, internal audit resource will be targeted towards giving assurance that the following risks are being managed: -
 - a. The impacts of social care resourcing and service delivery changes
 - b. loss of direct control as a result of increased partnership working and devolving services into new delivery models e.g. commissioning
 - c. failure to successfully build on community budgets such as the Supporting Leicestershire Families programme
 - d. departments' relationship with EMSS
 - e. the need for resiliency in ICT systems
 - f. failure to share and retain information and personal data securely
 - g. the transition of Public Health into the County Council's framework of systems and controls
 - h. failure to plan for and successfully achieve efficiency requirements, new demands for services, transformational changes, service reviews and development projects
 - i. whether there is capacity and knowledge to deliver a technology infrastructure around a demanding client environment
 - j. guiding and managing employees during a continuing period of change to staffing structures and demands
 - k. failure to widen and manage the personalisation agenda
 - l. failure to procure effectively to the Authority's best advantage
 - m. the impact of new governance requirements
 - n. 'business as usual' especially that the key financial and ICT systems are robust.

Resource Implications

12. The Service's expenditure is contained within the Corporate Resources Department's agreed budget.

Equal Opportunities Implications

13. There are no discernible equal opportunities implications resulting from the audits listed. However 'employee management' and 'safeguarding' audits are included in the plan.

Recommendation

14. That the Committee notes the Internal Audit plan for 2012-13.

Background Papers

The Constitution of Leicestershire County Council
Internal Audit Planning Strategy 2006-2010 report to Corporate Governance
Committee 6 February 2006

Circulation under the Sensitive Issues Procedure

None.

Officers to Contact

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Appendices

Appendix 1 – Allocation of Internal Audit Service Resource 2013-14
Appendix 2 – Leicestershire County Council 2013-14 Audit Plan in department order
Appendix 3 – Leicestershire County Council 2013-14 Audit Plan in corporate risk register category order
Appendix 4 – 2013/14 Internal Audit Resource allocated against Corporate and Audit Risk