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## CORPORATE GOVERNANCE AND AUDIT COMMITTEE

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Meeting to be held in Civic Hall, Leeds, LS1 1UR on  
Wednesday, 10th July, 2013  
at 2.00 pm

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### MEMBERSHIP

#### Councillors

P Grahame	J Bentley	C Fox	R Finnigan
N Taggart		R Wood	
T Hanley			
G Hussain (Chair)			
E Taylor			
J Illingworth			
J Hardy			

# A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 25 of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).</p> <p>(*In accordance with Procedure Rule 25, written notice of an appeal must be received by the Head of Governance Services at least 24 hours before the meeting)</p>	
2			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p><b>RESOLVED</b> – That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-</p>	

Item No	Ward	Item Not Open		Page No
3			<p><b>LATE ITEMS</b></p> <p>To identify items which have been admitted to the agenda by the Chair for consideration</p> <p>(The special circumstances shall be specified in the minutes)</p>	
4			<p><b>DECLARATION OF DISCLOSABLE PECUNIARY AND OTHER INTERESTS'</b></p> <p>To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2011 and paragraphs 13-16 of the Members' Code of Conduct.</p>	
5			<p><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive any apologies for absence.</p>	
6			<p><b>MINUTES OF THE MEETING HELD ON 22ND APRIL 2013</b></p> <p>To receive the minutes of the meeting held on 22<sup>nd</sup> April 2013.</p>	1 - 6
7			<p><b>UPDATE REGARDING PROGRESS WITH THE DEVELOPMENT OF BUSINESS CONTINUITY PLANS FOR LCC'S MOST CRITICAL SERVICES.</b></p> <p>To receive a report of the Director of Resource providing an update to the Committee on the progress made towards completing the outstanding Business Continuity Plans for the Council's most critical services.</p>	7 - 12
8			<p><b>KPMG INTERIM AUDIT REPORT</b></p> <p>To receive a report of the Director of Resources highlighting the results of KPMG's interim audit work in relation to the 2012/13 financial statements and the initial work undertaken to support their 2012/13 Value for Money conclusion.</p>	13 - 18

Item No	Ward	Item Not Open		Page No
9			<p><b>THE STATEMENT OF ACCOUNTS 2012/13</b></p> <p>To receive a report of the Director of Resources presenting the Committee with the 2012/13 Statement of Accounts prior to them being made available for public inspection.</p>	19 - 22
10			<p><b>INTERNAL AUDIT ANNUAL REPORT</b></p> <p>To receive a report of the Director of Resources bringing to the attention of the Committee the basis of the Internal Audit assurance for 2012/13.</p>	23 - 56
11			<p><b>INTERNAL AUDIT QUARTERLY REPORT 1ST APRIL TO 30TH JUNE 2013</b></p> <p>To receive a report of the Director of Resources providing a summary of internal audit activity for the period 1st October to 30th November 2012 and highlighting the incidence of any significant control failings or weaknesses. The proposed Internal Audit Plan for 2013/14 is also included as part of this report and has been challenged and agreed by the Director of Resources.</p>	57 - 84
12			<p><b>WORK PROGRAMME</b></p> <p>To receive a report of the Director of resources notifying and inviting comment from the Committee on the work programme.</p>	85 - 90

# Agenda Item 6

## Corporate Governance and Audit Committee

Monday, 22nd April, 2013

**PRESENT:** Councillor T Murray in the Chair  
Councillors P Grahame, J Elliott, T Hanley,  
E Taylor, J Illingworth and J Bentley

Apologies Councillors G Hussain

### **53 Appeals Against Refusal of Inspection of Documents**

There were no appeals against the refusal of inspection of documents.

### **54 Exempt Information - Possible Exclusion of the Press and Public**

There were no resolutions to exclude the public.

### **55 Late Items**

There were no late items.

### **56 Declaration of Disclosable Pecuniary and Other Interests'**

There were no declarations made.

### **57 Apologies for Absence**

Apologies for absence were received from Councillor G Hussain.

### **58 Minutes - 19th March 2013**

**RESOLVED** – That the minutes of the meeting held on 19<sup>th</sup> March 2013 be confirmed as a correct record.

### **59 Matters Arising**

#### Minute No. 46 Annual Audit Plan

The Committee were informed that the Audit Commission had reduced last year's audit fee by £27,200 and had now returned this to the Council. A similar rebate will be made for the 2013/14 audit.

Members re-iterated their feelings that it was a key priority to ensure that young people in Leeds are given every opportunity to take up employment and that outsourcing of KPMG work to India had an impact on this priority.

**RESOLVED** – The Committee resolved that arrangements be made for the outcome of the Chair's discussions with KPMG representative's (on Thursday 25<sup>th</sup> April 2013) to be relayed to the next meeting of the Committee.

## **60 Calderdale Shared Services Agreement**

The Chief Officer (Resources and Strategy) presented a report of the Director of Adult Social Services providing the Committee with both an update on progress and an assurance that the shared services agreement with Calderdale Metropolitan Borough Council is operating as intended. It was confirmed to the Committee that implementation would take place in April 2014.

The Senior Project Manager (ICT Services) was also in attendance to answer questions from Members.

Members discussed the report in detail. Specific discussion took place the matching of data contained in the current system with fields within the new one, the timely transfer of that data, and the testing that would take of data before the implementation date. Officers present confirmed that this work is included in the project plan and is on track to be completed before the implementation date.

Security of the data being migrated was also considered by the Committee. Members sought and received assurance that this was being implemented carefully and in accordance with proper practices associated with this type of project.

Members also wished to know whether all the recommendations following the Call In of the Executive Board decision had been implemented and whether Leeds would receive the same service that Calderdale receives. Officers confirmed that recommendations had been implemented and that as part of the Service Level Agreement in place between Leeds and Calderdale, Leeds will receive the same service and same level of technical support.

**RESOLVED** – The Committee resolved to:

- (a) Note the contents of the report; and
- (b) Receive a further update report in 3 months time.

## **61 Business Continuity Management Arrangements for LCC's Most Critical Services.**

The Business Continuity Programme Manager presented a report of the Director of Resources. The report provided the Committee with assurance on the adequacy of business continuity management arrangements for the Council's most critical services.

Members confirmed with the officer present that test runs of potential major disasters are completed.

Members were concerned that there are a number of services deemed business critical which do not currently have Business Continuity Plans in place. The committee asked that these concerns be escalated to the Director of Resources.

**RESOLVED** - The Committee resolved to:

- (a) note that the business continuity management arrangements that are currently in place to meet the statutory duties required of the Civil Contingencies Act 2004;
- (b) Request a further report to the next meeting of the Committee to provide an update on the progress made in completing the outstanding Business Continuity Plans;
- (c) Note the information and receive an annual update detailing progress and achievements in 2014; and
- (d) Request that the Chief Officer (Audit & Risk) relay the Committees concerns about Business Continuity Plans currently not all being in place for business critical services to the Director of Resources.

## **62 Annual Information Security Report**

The Chief Officer (Intelligence and Performance) presented a report of the Assistant Chief Executive (Customer Access and Performance). The report was the annual report on the steps being taken to improve the Council's information security in order to provide assurance for the annual governance statement.

The Executive Officer (Information Governance) and the Assistant Solutions Architect (ICT Services) were also in attendance to help answer questions from Members.

Members commented that security measures in place often make it difficult to perform simple IT tasks, specifically in terms of access to equipment and

transferring legitimate information. Members were informed that the Government Protective Marking Scheme was intended to be adopted and that this would automatically label documents and make sharing sensitive information with citizens and other agencies less onerous.

Members also highlighted the difficulties of information of public interest that is subject to copyright and, which, as a consequence, may not be freely circulated in the public domain.

**63 RESOLVED – The Committee resolved to note the contents of the report.  
Capital Programme Approvals Framework**

The Chief Officer (Financial Development) presented a report of the Director of Resources. The report provided the Committee with an update following changes to the capital programme approvals frameworks which were introduced in April 2012. The report also proposed further changes to the Capital Programme Approvals Framework

In summary the changes in 2012 included:

- Directors to be allowed to give authority to Spend on Capital schemes up to £500k;
- The delegated limit for the Director of Resources to make an injection to the capital programme, funded by the Council, was increased from £100k to £250k;
- Injections to the capital programme funded by borrowing – the process was changed to allow the Director of Resources to approve injections to the capital programme funded by borrowing, up to £500k, for the following types of schemes:
  1. Vehicle and equipment replacement;
  2. Demolition of property;
  3. Asbestos removal and other health and safety works;
  4. Energy Efficiency projects (where capital investment is funded by savings on energy costs); and
  5. Any other spend to save/operate where a business case has been approved.
- the delegated limit of £100k for Directors to inject ring fenced grants to the capital programme was removed giving Directors full delegation; and
- for schemes exceeding £500k, authority to tender was previously approved by the Director of Resources. Full delegation was given to Service Directors from April 2012.

In summary the proposed changes for 2013 included:

- a new approach to presenting capital programme resources;
- All capital programme management staff to be brought together within the Financial Development division of the Resources Directorate;
- Funding approval checks will only remain for reports being scheduled for Executive Board, to ensure that Executive Board reports are accurate; and



- Chief Officer Approval to be removed, considering that Directors have sought the professional advice they need and are fully accountable for the award of capital contracts.

The Principal Finance Manager (Financial Development) was in attendance to help answer Members' questions.

Members discussed how the new process fits in with the 'Calling In' of decisions. Further Members considered it important that Members be made aware of decisions being taken at the earliest opportunity.

**RESOLVED** – The Committee resolved to:

- (a) Note the impact of the changes made to the Capital Approvals process in April 2012 which were detailed within the report;
- (b) Note the structural improvements which have been made; and
- (c) Support the new changes to the process as set out in the report.

#### **64 Work Programme**

The Director of Resources submitted a report notifying members of the work programme.

The Committee reviewed its forthcoming work programme.

**RESOLVED** – The Committee resolved to note the forthcoming reports.

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## Report of Director of Resources & Deputy Chief Executive

### Report to Corporate Governance & Audit Committee

**Date: 10<sup>th</sup> July 2013**

**Subject: Update regarding progress with the development of Business Continuity Plans for LCC's most critical services.**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. This report provides an update regarding progress made towards completing the outstanding the Business Continuity Plans for LCC's most critical services as requested by the Corporate Governance & Audit Committee at the 22 April 2013 meeting.

Having Business Continuity Plans in place for the most critical services will ensure that LCC is meeting its statutory duties required under the Civil Contingencies Act 2004 by having in place arrangements to be able to continue to deliver critical aspects of day to day functions in the event of an emergency or disruptive incident.

2. Of the 67 Business Continuity Plans required (previously 64 reported in April) there are currently 39 plans in place (previously 27 reported in April).

Progress is on-going with the development of a further 26 Business Continuity Plans leaving just 2 service areas failing to be engaged with the process.

## Recommendations

### 1 Purpose of this report

- 1.1 To provide an update to the Corporate Governance & Audit Committee on the progress made towards completing the outstanding Business Continuity Plans for LCC's most critical services (since the previous meeting held 22 April 2013).

### 2 Background information

- 2.1 The Civil Contingencies Act 2004 made it a statutory duty of all Councils to have in place arrangements to be able to continue to deliver critical aspects of their day to day functions in the event of an emergency if the impact on the community is to be kept to a minimum.
- 2.2 For LCC to achieve and maintain compliance with the statutory duty, a centrally managed BCM Programme has been established. The BCM Programme provides a structured approach and hands-on support to directorates using good practice guidance aligned with the British Standard BS 25999 to support development of the required Business Continuity Plans.
- 2.3 Business Continuity Plans are developed and maintained in readiness for use during a disruptive incident and provide managers and officers with solutions in the event of loss of staff, loss of buildings and accommodation, loss of ICT, loss of or disruption to key suppliers and partners and loss of any other key requirements such as vehicles and specialist plant and machinery identified as essential to supporting critical services.
- 2.4 LCC has identified 67 services as being most critical i.e. those services which require recovery from disruption in less than 24 hours, a comparison with other Core Cities has identified similar numbers of critical services.
- 2.5 Critical services without plans in place, is potentially exposing some of LCC's *most* critical service areas to resilience issues in the event of a disruptive incident occurring.

The importance of this is recognised by CLT through the identification and on-going management of Corporate Risk LCC2 - Council Resilience, a risk "unlikely to ever go away" for which CLT requires quarterly assurances.

### 3 Main Issues/Progress since the Corporate Governance & Audit Committee Meeting (22 April 2013)

- 3.6 Since the last report, the number of LCC services assessed as being most critical has increased by 3 from the 64 previously reported to the Committee in April to a total of 67.

Of the 67 service areas requiring Business Continuity Plans, 39 (58%) now have Business Continuity Plans in place. This is an increase of 12 Business Continuity Plans completed to that reported to the Committee on 22 April.

- 3.7 Progress with development of a further 26 Business Continuity Plans continues. However in some cases, an inconsistent level of management engagement with the process is prolonging development. A further 2 service areas are not engaged with the process despite several reminders being issued.
- 3.8 The BCM Programmes strategy to supporting managers with the development of Business Continuity Plans is a direct 'hands-on' approach. The BCM Programme Manager completes the required Business Continuity Plan template which is informed by information captured at a meeting (1 hour duration max) with the manager(s) responsible for the service. The manager's role beyond the initial meeting is to simply review and revise the initial draft Business Continuity Plan. It is the review and revision of the draft Business Continuity Plan where a lack of manager response is being experienced despite several reminders being issued.
- 3.9 In order to expedite progress, the BCM Programme Manager continues to issue reminders to the manager's responsible and also by reporting progress into the Directorate Emergency Management Groups on a regular basis.
- 3.10 Since the Corporate Governance & Audit Committee Meeting (22 April), the BCM Programme Manager has discussed the concerns raised with various service managers, which has contributed to the completion of a further 12 Business Continuity Plans.

A target date of end of September 2013 for the completion of all outstanding Business Continuity Plans has been set and communicated to the managers responsible.

- 3.11 The British Standard BS 25999 notes that *"creating and embedding BCM within an organisation can be lengthy and difficult process which might encounter a level of resistance that was not anticipated"*. Although just 58% of LCC's most critical services currently have Business Continuity Plans in place, the support of the Corporate Governance & Audit Committee and the Director of Resources will help to accelerate the progress currently being made towards achieving a more resilient council.
- 3.12 In addition to LCC Business Continuity Plans, the BCM Programme is also incorporating support to schools and commissioned services through the assessment of Business Continuity Plans and provision of guidance and awareness workshops. This incorporates new public health structures including Clinical Commissioning Groups and providers. During the next quarter it will be necessary to map any new critical services resultant from the transfer of public health.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

The BCM Toolkit (templates and guidance) has been shared with the Emergency Planning College and Core Cities for peer review purposes. Positive feedback was received providing confidence in the adequacy and completeness of the toolkit.

## **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 All published templates and guidance have been assessed by the Equality & Diversity Team to check that due regard has been given and that the templates meet Plain English requirements.

## **4.3 Council policies and City Priorities**

- 4.3.1 The Council Business Continuity Policy sets out the requirements placed upon services across the Council. The Policy is due for its initial review in September and will involve practitioner engagement to drive a 'less is more' approach in line with the Best Council Plan.

## **4.4 Resources and value for money**

- 4.4.1 No implications.

## **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 A failure to deliver critical services may result in a risk to the health and well-being of service users or a failure to comply with our legal responsibilities. Robust business continuity arrangements will help to reduce the likelihood of litigation against the Council for failing to meet its responsibilities.

## **4.6 Risk Management**

- 4.6.1 The 'Corporate Risk LCC2 – Council Resilience' is one of six 'standing risks' on the Corporate Risk Register "unlikely to ever go away" for which CLT requires quarterly assurances on how the risk is being mitigated and managed. The implementation of Business Continuity Plans for LCC's most critical service areas will underpin the required assurances relating to the mitigation and management of this risk.

## **5 Conclusions**

- 5.1 Since the Corporate Governance & Audit Committee Meeting (22 April) progress has been made with the completion of a further 12 Business Continuity Plans.
- 5.2 The development of a further 28 Business Continuity Plans is required of which progress is currently being made with 26 leaving just 2 service areas currently not engaged with the process.

## **6 Recommendations**

- 6.1 The Committee to note that progress with the development of Business Continuity Plans for LCC's most critical services is being made with all directorates in order to meet the statutory duties required of the Civil Contingencies Act 2004.

A target date of end of September 2013 for the completion of all outstanding Business Continuity Plans for the most critical services has been set and communicated to the managers responsible.

6.2 The Committee to note this report for information and receive further updates as required.

**7 Background documents<sup>1</sup>**

7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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## Report of the Director of Resources

## Report to Corporate Governance and Audit Committee

Date: 10<sup>th</sup> July 2013

## Subject: KPMG Interim Audit Report

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

## Summary of main issues

1. KPMG have completed their interim audit work. The work involved a review of the accounts process, and an assessment of critical systems and controls which impact on the validity of the Council's financial statements.
2. In completing this work KPMG was able to place full reliance on the work of Internal Audit.
3. The work only identified minor issues in the ICT environment.

## Recommendations

4. It is recommended that Members note:
  - § The positive assurances provide by KPMG in respect of the work of Internal audit and on the systems and controls which underpin the Council's financial statements; and
  - § That there are no significant audit issues arising from the interim audit work.

## 1 Purpose of this report

- 1.1 In line with the audit plan presented to this Committee in March, this report highlights the results of KPMG's interim audit work in relation to the 2012/13 financial statements and the initial work undertaken to support their 2012/13 Value for Money conclusion.

## **2 Background information**

- 2.1 A significant proportion of the accounts audit is completed before KPMG receive the Council's financial statements. This initial audit work is designed to gain assurances on the Council's controls and procedures in order to minimise the audit coverage required at the final audit stage. The main procedures and controls assessed at this interim audit stage are as follows:
- § Review of the Authority's accounts production process;
  - § Review progress on critical accounting matters;
  - § Evaluate and test controls over key financial systems;
  - § Review of the work undertaken by the internal audit function to determine if they could place reliance upon their work.
- 2.2 This covering report highlights any significant findings in respect of this audit work.

## **3 Main issues**

- 3.1 KPMG have completed their interim audit and have not identified any issues which they deem significant enough to require reporting to members. See KPMG's attached letter.
- 3.2 Council officers have been informed of the minor issues identified in the IT environment and these are being actioned as appropriate. None of the issues identified will have an impact on the accounts and the level of work KPMG will be required to undertake on the audit of the financial statements.
- 3.3 Whilst not specifically referenced in the letter, KPMG have confirmed that the interim audit work has provided audit assurance in respect of the following:
- § LCC has an effective IT control environment (subject to the three minor issues identified);
  - § Internal Audit are fully compliant with "The Code of Practice for Internal Audit in Local Government" and KPMG can place full reliance on their work;
  - § The process for preparing the financial statements is adequate.
- 3.4 No initial work on the VFM conclusion has been undertaken as part of the Interim audit.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The interim audit does not raise any issues requiring consultation or engagement with the public, Ward members or Councillors.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

### **4.3 Council policies and City Priorities**

- 4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports. This is to provide a basis for gaining the necessary assurance regarding governance prior to the approval of the Council's accounts.

### **4.4 Resources and value for money**

- 4.4.2 The interim audit did not involve any initial work on the assessment as to whether the Council has proper arrangements for securing value for money.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.3 The report does not require a key decision and is therefore not subject to call-in.

### **4.6 Risk Management**

- 4.6.4 KPMG have not identified any significant risks in the interim audit which require officer action as part of the process for completing the 2012/13 accounts.

## **5 Conclusions**

- 5.1 There are no major issues raised in KPMG's interim audit which would impact on the level of audit work required to certify the Council's financial statements.

## **6 Recommendations**

- 6.1 It is recommended that Members note:

- § The positive assurances provide by KPMG in respect of the work of Internal audit and on the systems and controls which underpin the Council's financial statements; and
- § That there are no significant audit issues arising from the interim audit work.

## **7 Background documents<sup>1</sup>**

- 7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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Our ref MM/HG/DR/LCC/Let-750

4 June 2013

Dear Alan

**Leeds City Council – Audit progress**

We have now completed our planning and interim audit work in line with the timetable set out in our detailed External Audit Plan, dated January 2013. In that plan we indicated that we may present an Interim Audit Report to the Council's Corporate Governance and Audit Committee to report on the outcome of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

As our audit work to date has gone smoothly and we have not identified any significant issues, we no longer consider it necessary to report to the Corporate Governance and Audit Committee at this stage. There are a small number of non-significant matters relating to the IT environment which we have discussed with you and your team. We will, for completeness, include these in the ISA260 report which we will produce at the conclusion of the audit and present to the Corporate Governance and Audit Committee in September 2013.

In the absence of the need for an Interim Audit Report, please feel free to table this letter at the June meeting of your Corporate Governance and Audit Committee, to provide them with an update on the progress of our audit. As discussed, we will not attend that meeting but will provide a full briefing on the audit when presenting our ISA260 report at the September meeting.

Yours sincerely

Mike McDonagh  
Partner

cc. *Tim Pouncey*

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**Report of the Director of Resources**

**Report to Corporate Governance and Audit Committee**

**Date: 10<sup>th</sup> July 2013**

**Subject: The Statement of Accounts 2012/13**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary of main issues**

- 1        The Responsible Financial Officer has reviewed the 2012/13 accounts and certified that they are a true and fair view of the Council's financial position.
- 2        The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2011.
- 3        Subject to Committee agreement the accounts will be available for public inspection for twenty working days commencing 15<sup>th</sup> July 2013.
- 4        Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner.

**Recommendations**

- 5        Members are asked to:
  - § Note the 2012/13 unaudited Statement of Accounts as certified by the Responsible Financial Officer.
  - § Agree to release the accounts for public inspection.

**1        Purpose of this report**

- 1.1      The purpose of this report is to present to the Committee the 2012/13 Statement of Accounts prior to them being made available for public inspection. The Statement of Accounts is included with the agenda as a separate document for Committee members and is published on the Council's internet site.

## **2 Background information**

- 2.1 Whilst it is no longer a legal requirement for members to formally approve these unaudited accounts before the 30<sup>th</sup> June, members of this committee requested that that they receive the accounts prior to them being made available for public inspection.

## **3 Main issues**

### **3.1 Main Financial Issues**

- 3.1.1 The following is a summary of the main financial issues raised by the 2012/13 unaudited accounts:

- § The final outturn position for the year was a £2.4m deficit, a £4.6m improvement on the budgeted position which was to use £7.0m of general reserves.
- § The Council's net worth has fallen by £233m and as at the 31<sup>st</sup> March 2013 stands at £64m. The main reasons for this fall are as follows:
  - An increase in the net pensions deficit of £146m;
  - A £109m loss on disposal of assets, mainly relating to the transfer of schools to Trusts and Academies.
- § The Housing Revenue Account made a surplus of £0.9m.

A full analysis of these and other financial issues are included in the Foreword of the Director of Resources which can be found at the front of the accounts.

### **3.2 Responsibilities and Timeframes for Approving the Statement of Accounts**

- 3.2.1 The Accounts and Audit Regulations 2011 determine the roles and responsibilities for approving local government accounts. Under these regulations it is the responsibility of the Responsible Financial Officer to certify that the accounts are a true and fair view of the Council's financial position before the 30<sup>th</sup> June. The accounts must then be available for public inspection for twenty working days before this Committee is charged with approving and publishing the final audited accounts before the 30<sup>th</sup> September.

- 3.2.2 To enable members to discharge their responsibilities for approving the accounts the following assurances can, or will, be given within the approval process:

- § On the 25<sup>th</sup> June the Responsible Financial Officer reviewed the 2012/13 accounts and certified that they are a true and fair view of the Council's financial position.
- § The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2011.
- § KPMG's interim audit found no significant issues that would require additional audit work in order to give an unqualified audit opinion. The audit also confirmed that the process for producing the financial statements was adequate.
- § KPMG will undertake a detailed audit of the accounts in July and August to ascertain that, in their view, the accounts show a true and fair of the Council's financial position. Auditors will report any significant issues back to this Committee in September.



- § Stakeholders have twenty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered significant the auditors would pursue the complaint or questions and determine if the accounts need amendment. Any significant issues raised in this way would be reported back to this Committee in September. For 2012/13, subject to Committee approval, public inspection will commence on the 15<sup>th</sup> July.
- § Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the September Committee prior to approving the accounts.

### **3.3 Accounting Issues Impacting on the Financial statements**

- 3.3.1 For 2012/13 there are no significant changes to accounting practice which members need to be made aware of. However, for 2012/13 officers have got audit agreement to “de-clutter” the accounts. Within this process officers have reviewed the accounts in order to determine whether each explanatory note is significant enough to warrant inclusion. This process has determined that a number of explanatory notes did not add to the understanding of the accounts and agreement was reached to drop these notes. This has led to a removal of sixteen pages of notes which will not require detailed external audit, saving both officer and audit time.
- 3.3.2 In addition, in order to highlight the key financial issues the explanatory notes are now split into two categories, the “Key assets and liabilities affecting the Council’s financial standing” and “Further explanatory notes to the main financial statements”.

### **3.4 External Audit Issues**

- 3.4.1 In September 2012, KPMG reported back to this Committee its main audit findings in respect of the 2011/12 accounts and any recommendations or risks for the following year’s accounts. The only audit recommendation was to ensure that correct documentation was obtained to confirm when schools had been transferred to Academies or Trusts. For 2012/13 such documentation was obtained to ensure transfers were correctly accounted for.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 This is a factual report from the Director of Resources on the Council’s 2012/13 financial accounts and consequently no public, Ward member or councillor consultation or engagement has been sought.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

### **4.3 Council policies and City Priorities**

- 4.3.1 The Statement of Accounts is an audited publication which provides all stakeholders with the confidence that public money has been properly accounted for and that the financial standing of the Council is on a secure basis.
- 4.3.2 As required by the Accounts and Audit Regulations 2011, the accounts are to be made available for public inspection for twenty working days. Local electors and taxpayers have the right to look through the accounts and supporting documentation as well as the right to object to the accounts and question the auditors.

### **4.4 Resources and value for money**

- 4.4.1 This is a factual report of the Director of Resources on the financial accounts of the Council for 2012/13. There are no additional financial or value for money implications.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of June. This report does not require a key decision and is therefore not subject to call in.

### **4.6 Risk Management**

- 4.6.1 The Council's external auditors provide a risk assessment on the accounts process as part of their interim audit as reported to this Committee. For 2012/13 the external auditors have not identified any significant risks which would require them to undertake any additional audit work on the financial statements.

## **5 Conclusions**

- 5.1 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner. Whilst there has been a fall in the Council's net worth the main reasons for this are outside the Council's direct control and reflect Government policy and the wider economic climate. Overall the Council continues to balance its finances and has a proven process for managing future budget pressures.
- 5.2 The Responsible Financial officer has certified that the accounts are a true and fair view of the council's financial position.

## **6 Recommendations**

- 6.1 Members are asked to:
- § Note the 2012/13 unaudited Statement of Accounts as certified by the Responsible Financial Officer.
  - § Agree to release the accounts for public inspection.

## **7 Background documents<sup>1</sup>**

- 7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

## Report of the Director of Resources and Deputy Chief Executive

### Report to Corporate Governance and Audit Committee

**Date: 10<sup>th</sup> July 2013**

**Subject: Internal Audit Annual Report 2012/13**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. On behalf of the Corporate Governance and Audit Committee ('the Committee') and the Director of Resources and Deputy Chief Executive, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
2. The terms of reference of the Committee require that it considers the Council's arrangements relating to internal audit. This specifically includes considering the annual report and the opinion on the control environment contained in that report and monitoring the performance of internal audit.
3. The overall conclusion is that Leeds City Council has a sound Corporate Governance framework from which those charged with Governance can gain assurance. Internal Audit has made a number of recommendations to further improve the systems of control but at the time of writing this report there are no outstanding significant issues arising from the work undertaken by Internal Audit. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice.

## **Recommendations**

4. The Corporate Governance and Audit Committee is asked to receive the Internal Audit Annual Report 2012/2013 report and note the assurances given.

## **1 Purpose of this report**

- 1.1 This report brings to the attention of the Committee the basis of the internal audit assurance for 2012/13.
- 1.2 By reviewing, challenging and monitoring such reports the Committee itself is demonstrating sound governance arrangements and enabling it to take appropriate action if needed. It should be noted that Internal Audit will also issue interim reports to the Committee if any significant matters arise which would warrant immediate attention.

## **2 Background information**

- 2.1 The Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

## **3 Main issues**

- 3.1 The Code of Practice for Internal Audit in Local Government in the UK 2006 states that the Head of Audit must provide a written report to those charged with governance timed to support the Statement on Internal Control (now the Annual Governance Statement). This report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies. For 2012/13, the opinion is:

*The internal control environment, including the key financial systems, is well established and continues to operate well in practice.*

*At the time of writing this report there are no outstanding significant issues arising from the work undertaken by Internal Audit.*

*However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.*

- 3.2 The annual opinion is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The report therefore contains a summary of completed jobs along with their individual opinions.
- 3.3 There are no issues identified by Internal Audit in the Annual Report 2012/13 that would necessitate direct intervention by the Corporate Governance & Audit Committee.
- 3.4 KPMG reviewed internal audit's work on key financial systems in 2012/13 and confirmed that it fully met their requirements in terms of timeliness, quality and supporting evidence. KPMG confirmed that:

*“Internal Audit has covered all areas of work that we wished to rely upon to a good standard and we are again able to place full reliance on their work.”*

3.5 Internal Audit will continue to undertake a follow up audit on audit reports with limited or no assurance opinions or where the impact has been determined as either ‘Major’ or ‘Moderate’ to ensure the revised controls are operating well in practice.

#### **4 Corporate Considerations**

##### **4.1 Consultation and Engagement**

4.1.1 This report did not highlight any consultation and engagement considerations.

##### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

##### **4.3 Council policies and City Priorities**

4.3.1 The terms of reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the Council’s corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee.

##### **4.4 Resources and value for money**

4.4.1 In relation to resources and value for money, the Internal Audit annual report includes a number of value for money reviews and a number of initiatives in line with the council’s value of spending money wisely.

##### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 None.

##### **4.6 Risk Management**

4.6.1 The Internal Audit plan has been and will continue to be subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.

#### **5 Conclusions**

5.1 There are no issues identified by Internal Audit in the Annual Report 2012/13 that would necessitate direct intervention by the Corporate Governance & Audit Committee.

**6 Recommendations**

6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit Annual Report 2012/2013 report and note the assurances given.

**7 Background documents<sup>1</sup>**

7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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## **Internal Audit**

# **Annual Report and Opinion 2012/13**

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2012/13**

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*Section 1*

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## **INTRODUCTION**

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### *1.1 The Annual Reporting Process*

Management is responsible for the system of internal control and must set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Corporate Governance & Audit Committee (CG&AC) and the Director of Resources and Deputy Chief Executive, Internal Audit acts as an assurance function providing an independent and objective opinion on the organisation's entire control environment by evaluating its effectiveness in achieving objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year.

### *1.2 Requirement for Internal Audit*

The organisation has a duty to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. This role is complemented by initiatives aimed at promoting effective corporate governance.

In 2006, CIPFA published a revised Code of Practice for Internal Audit in Local Government in the UK. The guidance accompanying the Accounts and Audit Regulations 2003 referred to this code as representing "proper internal audit practices". The Code defines the way in which the internal audit service should be established and undertaken, encompassing organisational and structural aspects.

The Accounts and Audit (England) Regulations 2011 that came into force on the 31<sup>st</sup> March 2011 and revoked the Accounts and Audit Regulations (England) 2003 maintain the requirement for relevant bodies to have a sound system of internal control and conduct a review at least once a year of the effectiveness of the system of internal control.

The 2011 regulations require bodies to conduct, at least once a year, a review of the effectiveness of their internal audit to consider this as part of the consideration of the system of internal control by a committee of the body, or by the body as a whole.

1<sup>st</sup> April 2013 saw the introduction of the new United Kingdom Public Sector Internal Audit Standards (PSIAS) that will apply across the whole of the public sector. The PSIAS

are based on the Chartered Institute of Internal Auditors (IIA) Standards, with a limited number of additional requirements and interpretations that allow PSIAS to be adapted for the public sector.

The PSIAS replace the Code of Practice for Internal Audit in Local Government in the UK – last revised in 2006 - from 1<sup>st</sup> April 2013. The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

From the 2013/14 annual report onwards, the Head of Audit must provide an annual internal audit opinion and report timed to support the annual governance statement. The annual report must incorporate:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies);
- A statement on conformance with the UK Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme.

In addition, the PSIAS require that the Head of Audit must confirm to the Corporate Governance and Audit Committee at least annually, the organisational independence of internal audit activity.

*Section 2*

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## **REVIEW OF INTERNAL CONTROL AND OPINION**

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### *2.1 Opinion 2012/2013*

The Code of Practice for Internal Audit in Local Government in the UK 2006 states that the Head of Audit must provide a written report to those charged with governance timed to support the Statement on Internal Control (now the Annual Governance Statement). This report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies.

*The internal control environment, including the key financial systems, is well established and continues to operate well in practice.*

*At the time of writing this report there are no outstanding significant issues arising from the work undertaken by Internal Audit.*

*However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.*

### *2.2 How Internal Control is reviewed*

Internal Audit continues to embrace the risk assessment approach to audit. During the course of the year, the risk map of the Authority has been continually challenged and used to form the basis of Internal Audit's operational plan for the coming year. The review process draws on key indicators of risks to the organisation and attempts to ensure that suitable audit time and resources are devoted to review the more significant areas. The Corporate Risk Register is used as a key source of information during this process. The audit plan contains a contingency provision that is utilised during the year in response to unforeseen work demands. This risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment.

There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.

However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables Internal Audit to give an

opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

To ensure consistency in audit reporting, the following definitions of audit assurance are used for all systems and governance audits completed:

<b>Control Environment Assurance</b>		
	<b>Level</b>	<b>Definitions</b>
1	SUBSTANTIAL ASSURANCE	There are minimal control weaknesses that present very low risk to the control environment.
2	GOOD ASSURANCE	There are minor control weaknesses that present low risk to the control environment.
3	ACCEPTABLE ASSURANCE	There are some control weaknesses that present a medium risk to the control environment.
4	LIMITED ASSURANCE	There are significant control weaknesses that present a high risk to the control environment
5	NO ASSURANCE	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

<b>Compliance Assurance</b>		
	<b>Level</b>	<b>Definitions</b>
1	SUBSTANTIAL ASSURANCE	The control environment has substantially operated as intended although some minor errors have been detected.
2	GOOD ASSURANCE	The control environment has largely operated as intended although some errors have been detected.
3	ACCEPTABLE ASSURANCE	The control environment has mainly operated as intended although errors have been detected.
4	LIMITED ASSURANCE	The control environment has not operated as intended. Significant errors have been detected.
5	NO ASSURANCE	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational impact is reported as either Major, Moderate or Minor. Any reports with major organisational impacts are reported to Corporate Leadership Team along with the appropriate directorate's agreed action plan and then to CG&AC as part of the regular update reports.

<b>Organisational Impact</b>		
<b>Level</b>		<b>Definitions</b>
1	MAJOR	The weaknesses identified during the review have left the council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
2	MODERATE	The weaknesses identified during the review have left the council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
3	MINOR	The weaknesses identified during the review have left the council open to low risk. This could have a minor impact on the organisation as a whole.

Specifically for the compliance reviews undertaken, the following definitions have been used to assess the level of compliance in each individual area reviewed:

<b>Opinion for Compliance Audits – Levels of Compliance</b>		
<b>Level</b>		<b>Definitions</b>
1	HIGH	There was significant compliance with agreed policy and/or procedure with only minor errors identified.
2	MEDIUM	There was general compliance with the agreed policy and/or procedure. Although errors have been identified these are not considered to be material.
3	LOW	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

### 2.3 Basis of Assurance

The annual opinion on the adequacy and effectiveness of the control environment for 2012/13 is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The 2012/13 plan and audit coverage has followed the same principles as agreed in previous years, i.e. based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in year risks, rather than a more traditional cyclical approach that looks at each system over a number of years.

For each area of assurance, there have been instances where the control environment was not strong enough or complied with sufficiently to prevent risks to the organisation. In these cases, Internal Audit has made recommendations to further improve the systems of control and compliance. Although significant to the control environment in place for the individual system areas that have been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the Council’s control environment at the year end. Further reviews in each area where limited assurance has been given are scheduled to be completed to ensure that the recommendations have been adopted and the suggested controls are working well in practice.

### **2.3.1 Key Financial Systems**

An annual review of each of the authority's key financial systems is undertaken to provide evidence supporting the internal audit opinion on the adequacy of the organisation's control environment.

As previously, the key financial systems subject to audit were agreed in advance with the authority's external auditors KPMG as they review this work and use this as a key source of assurance on the organisation. KPMG have reviewed internal audit's work on key financial systems in 2012/13 and have confirmed that it fully meets their requirements in terms of timeliness, quality and supporting evidence. KPMG has confirmed that:

*"Internal Audit has covered all areas of work that we wished to rely upon to a good standard and we are again able to place full reliance on their work."*

Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that, these controls continue to work well in practice although there are some areas where improvements are necessary. The level of assurance provided for the all key financial systems reviews was acceptable or higher and in all cases an action plan has been agreed with the appropriate officers that, if implemented, will give substantial control environment assurance.

### **2.3.2 Compliance Reviews**

Coverage in this area is underpinned by an assessment of the Council's framework of internal controls (often underpinned by policies and procedures) and included those core areas where a high level of compliance is necessary for the Council to carry out its functions properly. These compliance checks are carried out on the key areas whilst ensuring that the impact of non-compliances are understood in the context of the organisation as a whole to further develop a control environment that is proportionate and effective in the current climate. This work has included an element of challenge of the existing controls to ensure they are modern, effective and proportionate – a number of times the outcomes have reduced bureaucracy. This area also included a number of unannounced visits covering different types of establishment and provided assurance over the adequacy of cash and income controls. The compliance assurance block has provided assurances that are critical to the S151 Officer and, as it provides assurance across all Directorates, underpins the Head of Audit opinion on the control environment.

### **2.3.3 Schools**

At the meeting of the CG&AC on 19<sup>th</sup> March 2013, members resolved to request the Head of Internal Audit to make contact with other near neighbour and core cities authorities in respect of audit coverage provided to schools leaving the control of the LEA. Members sought assurances around the financial management arrangements in place in Leeds schools, particularly the extent to which independent and objective



Internal Audit opinion is provided to Governing Bodies on how those arrangements are complied with.

The Education Funding Agency (EFA) issued a revised Academies Financial Handbook in September 2012. This edition is much shorter than the 2006 edition it replaces and contains a number of significant changes including the introduction of audit committee arrangements for academies, accompanied by a significant relaxation of the former responsible officer arrangements.

This stated that the Academy Trust accounting officers are personally responsible to Parliament and to the accounting officer of the EFA for the resources under their control.

Every Academy Trust must have in place a process for independent checking of financial controls, systems, transactions and risks. All Academy Trusts must establish either an audit committee or a committee that fulfils the functions of an audit committee.

Academy Trusts may manage this programme of risk review in the way that they deem most appropriate to their circumstances. Options include:

- The work of an internal audit service (either in-house, bought-in or provided by a sponsor);
- The performance of a supplementary programme of work by the Academy Trust's external auditors;
- The work of a responsible officer (i.e. an individual who is a non-employed governor with an appropriate level of qualifications and/or experience), and who neither charges nor is paid by the Academy Trust for their work;
- Completing the work by peer review (i.e. the work being performed by the Principal Finance Officer (PFO), or a suitably qualified or experienced member of the finance team, from another Academy Trust, as an 'independent reviewer.')

#### Current Situation at Leeds City Council

As at April 2013 there were 25 Academies in Leeds (15 High and 10 Primary).

Internal Audit has sent a letter to all Academy Schools in Leeds providing an outline of the available services but has not yet been requested to undertake any work at Academies.

Financial Support Services to Schools are currently undertaking the Responsible Officer role at 6 Academies and are currently bidding for a further one.

#### Summary of Findings from other local authorities

5 neighbouring and core city authorities were contacted regarding their audit coverage of Academy schools.

The Internal Audit teams at two authorities have not contacted any of their Academies to offer their Internal Audit Services although one team plans to do this in the future.

Internal Audit teams at three of the authorities have advertised their services in a similar manner to Leeds City Council. Of these:

- One authority's Internal Audit team is currently undertaking the Responsible Officer role in 2 academies (out of 120 academies within its area);
- One authority's Internal Audit team is undertaking the Responsible Officer role at one school on a short term basis (due to the illness of the appointed Responsible Officer);
- One authority's Internal Audit team won the contract to provide internal audit services at one school and is currently in the process of preparing a bid to offer the services to another school. The team do not undertake any Responsible Officer work at the authority's 20 academies.

#### *2.3.4 Cross Cutting Assurances – Procurement, Monitoring and Improvement*

Internal audit has reviewed a number of key corporate functions, which give cross cutting assurances in their own right. These are areas such as procurement and performance management. These reviews included assessing the arrangements to ensure that their policies and procedures are up to date, fit for purpose, effectively communicated, routinely complied with across the organisation and monitored. These reviews provide evidence based assurance on the key policies and procedures that underpin the control environment. Where weaknesses were identified, action plans were agreed with the appropriate officers to improve the level of assurance provided. There were no significant issues highlighted in these areas.

A review of the Grounds Maintenance Services contract was undertaken within this assurance block. This contract was awarded on 1<sup>st</sup> January 2012 for a period of 5 years. Initially, the contract was managed by Streetscene within Environment and Neighbourhoods. With effect from August 20th 2012, the management of the contract was transferred to Parks and Countryside. Internal Audit considers that the control environment has become considerably more robust following this change in 'ownership'.

A number of issues were identified where the management of the contract was not considered satisfactory during the early months of the contract including unsatisfactory controls surrounding the processing of variations and works orders, limitations to the checking of invoices supplied by the contractor, limited budget monitoring and the absence of a formal contract management plan. This resulted in a limited assurance opinion for both the control environment and compliance with this for the operation of the contract from 1<sup>st</sup> January to 31<sup>st</sup> August 2012. Internal Audit are satisfied that these issues have now been addressed and evidence has been obtained to confirm this. Parks and Countryside have initiated a number of controls during the period since they took responsibility for the contract. If these new controls operate as intended, there is a sound environment within which to manage this contract. The assurance for both the control environment and compliance has therefore been assessed as substantial.

In addition, feedback in respect of the quality of work undertaken by the contractor is generally good. The percentage of assets monitored which have failed their quality assessments is extremely low and levels of customer satisfaction have been high.

### *2.3.5 Spending Money Wisely*

Significant progress has been made in raising awareness of Spending Money Wisely across the council and promoting a Spending Money Wisely culture. The work has been undertaken in 3 main strands:

#### Communication and Improvement

A Spending Money Wisely 'initiatives you need to know about' page has been developed and is live on InSite. The aim of the page is to be a centre of excellence for Spending Money Wisely and includes the facility for both staff and Internal Audit to post examples of best practice via the Spending Money Wisely blog. Links to the Internal Audit ideas service ([ideas@leeds.gov.uk](mailto:ideas@leeds.gov.uk)) for savings and service improvements have also been included on the page to enable staff to share their suggestions. The revised Spending Money Wisely Policy has also been published.

During February 2013, Internal Audit agreed with the Communications Team to incorporate the staff suggestion scheme - introduced by the Chief Executive - into Internal Audit's ideas service. This has provided staff with one consistent point of contact for ideas and advice, and will make sure that Internal Audit can get the most out of the ideas that people send. For example, the ideas received are being used to identify potential new review areas for the Spending Money Wisely assurance block within the Annual Audit Plan. A process has been introduced by Internal Audit to ensure that each idea received is considered - some of these may be incorporated into Internal Audit coverage, but some may be better considered within Directorates or within a corporate initiative or programme.

The Communications team have passed the suggestions received so far onto Internal Audit, and staff were updated about the changes through the 'Essentials' e-mail on 7<sup>th</sup> February 2013. Internal Audit has corresponded personally with all the colleagues who have submitted ideas so far to acknowledge receipt and thank them for their ideas. The Spending Money Wisely InSite page has been regularly updated to highlight the types of positive suggestions being received and the action taken. These have included: payslips by e-mail, waste collections arrangements, use of personal mobile phones for work and recharging arrangements including recharges for booking council rooms. Regular highlight reports are being produced for the Chief Executive, Director of Resources and Deputy Chief Executive, and Resources Leadership Team to outline numbers and examples of suggestions received, action taken and outcomes. To date, over 500 ideas have been sent in by staff across the Council.

## Compliance and Monitoring

Internal Audit has introduced a process to review a sample of transactions across the authority on a regular basis and challenge the expenditure to identify whether services are spending money wisely. The aim of the process is to monitor compliance with the Spending Money Wisely policy in practice and monitor spending money wisely across the council, to raise awareness of spending money wisely and embed this in the Council's culture; and to act as a deterrent to staff against any spending which does not provide value for money.

The process involves selecting a sample of payments from the monthly published payments list. Officers who authorise the orders are asked to complete a questionnaire to explain how they have ensured their expenditure provides value for money. Based on the information provided, evidence may be requested for a sample of the responses in order to confirm the answers provided and ensure that value for money has been considered and obtained. Results of each review are reported to Corporate Leadership Team and Directorate Heads of Finance. Where specific issues are identified, these are reported separately to individual Directors and/or Corporate Leadership Team for dissemination to staff within their area. Areas of good practice as well as areas where practices could be improved are publicised on the Spending Money Wisely InSite page via the Spending Money Wisely Blog. To date, these have included hiring of council rooms, obtaining value for money from travel expenditure and the use of internal providers.

## Spending Money Wisely Reviews

The table of reports issued includes details of specific Spending Money Wisely reviews that have been completed during the year. In order to identify areas where Spending Money Wisely/VfM work should be carried out, a prioritisation methodology has been developed to direct resources accordingly. The methodology applies a number of assessment criteria including efficiency and financial implications as well as risk, and the potential to improve public services.

### *Review of Travel*

A review of travel was undertaken to provide assurance for 2012/13 and 2011/12 that based on a sample of transactions there was no first class travel purchased or claimed for by officers contrary to the policy set out in Local Conditions of Service which states that: *'all officers are expected to travel second class or at any other cheap rate fare applicable on the day, except when travelling with a Member who elects to travel first class.'*

An opinion of high compliance with the policy was provided based on the sample of transactions reviewed. However, a number of recommendations were made to clarify the council's policy on travel and improve efficiency in this area:

- Revision of the policy wording to *'All officers are expected to travel second class.'*
- Making officers aware that there is no longer a requirement to use a particular travel management provider with whom the council previously had a contract (which incurs booking fees as well as a 2% charge if a purchasing card is used) and that more cost effective methods of travel may be available through alternative suppliers.
- Recommending the use of travel hubs to order train tickets or the purchase of tickets by officers using their own credit card and reclaiming in line with the corporate travel and subsistence policy. This will reduce the duplication of effort between officers and the hubs and reduce the costs associated with ticket delivery as tickets can be collected on the day of travel.

In order to publicise these recommendations, Internal Audit has included these on the Spending Money Wisely intranet site.

### *2.3.6 Counter Fraud and Corruption*

The counter fraud and corruption work undertaken includes both proactive anti-fraud and corruption work (fraud strategies) and reactive work (investigations.)

In addition, internal audit review the Authority's fraud and corruption arrangements to ensure they are in line with best practice. There is a Counter Fraud and Investigations team strategy and Counter Fraud and Corruption Action Plan for proactive and reactive fraud work that includes details of resource implications and prioritises work accordingly to ensure the risk of fraud is managed effectively with available resources. Proactive fraud exercises, data analytics work and participation in the National Fraud Initiative (NFI) provide assurance that the Authority is making every effort to detect potential fraud and prevent its recurrence.

This area of audit work also provides assurance on the ethical framework within the Council, which seeks to improve standards of conduct. This, combined with staffing policies, should therefore reduce the likelihood of fraud.

### *2.3.7 Risk Based Reviews*

Following inclusion in the Plan of all the 'top sliced' areas outlined, the remaining audit areas (Risk Based Reviews) included in the audit universe were prioritised for inclusion based on their risk score up to the overall level of resources in the year. These were a key element of the assurance on the entire control environment of the authority. Each review sought to deliver an assurance on the systems for efficiency, effectiveness and economy.

### Temporary Accommodation and Homelessness

A review of temporary accommodation and homelessness has been undertaken. The review provided acceptable assurance for the control environment as weaknesses were identified with the control environment in respect of information governance. Limited assurance was provided for compliance with the control environment as weaknesses were identified in the retention of documentation and ensuring consideration of value for money in the procurement of bed and breakfast accommodation. The organisation impact was judged to be minor.

### ICT Equipment Purchasing and Disposal Follow Up Review

A review of ICT equipment purchasing and disposal was completed during 2010. This highlighted some control weaknesses for the purchasing and disposal of ICT equipment. A follow up review has therefore been undertaken to establish the progress made in implementing the recommendations made.

The follow up review provided limited assurance for the control environment as although some progress has been made against the recommendations made in the 2010/11 report, recommendations in key areas - including compiling, managing and monitoring asset registers and managing stock across all sites consistently with adequate stock records — remain outstanding. The organisational impact was considered to be minor.

### *2.3.8 Strategic Landlord Assurance Framework*

As in previous years, Internal Audit has again been commissioned by Housing Partnerships to undertake a suite of audits as part of the ALMO/BITMO Assurance Framework. These provide certain assurances in relation to elements of the Housing Partnerships monitoring function and for key risk areas in the BITMO and each of the ALMOs.

During 2011/12, a review of Housing Options Lettings Enforcement was undertaken as part of the Strategic Landlord Assurance Framework. This highlighted some key weaknesses in compliance with the control environment.

A follow up review has been undertaken to assess the progress made towards the implementation of the recommendations made in 2011/12 by Housing Options. The follow up review provided limited assurance on compliance with the control environment as significant weaknesses were identified through compliance testing, particularly around verification of eligibility and retention of documentation. Although progress has been made on implementing the recommendations made in the 2011/12 report by providing training to staff, the findings from the compliance testing undertaken by Internal Audit suggests that this training has not yet been embedded across the service. This was assessed as presenting a moderate risk to the Council if the risks were to materialise.

### 2.3.9 Other Work

Internal Audit has undertaken other work in a number of areas. These are summarised at 3.7. These include a review requested by the Director of Resources and Deputy Chief Executive of the circumstances surrounding a building closure on health and safety grounds. The resulting briefing note made a number of recommendations for improvement including ensure there are adequate arrangements for up to date electrical testing of buildings, maintaining complete information on the condition of buildings, risk assessment processes for building closure including consultation with all key stakeholders and business continuity plans in the event of closures.

### 2.4 Summary of Completed Audit Reviews

***This section provides a summary of all reports issued since 27<sup>th</sup> June 2012. Audit reviews completed from 1<sup>st</sup> April 2012 to 26<sup>th</sup> June 2012 were reported in the Internal Audit Annual Report for 2011/12. All reviews up to 31<sup>st</sup> January 2013 where the audit opinion is limited for either the control environment or compliance with procedures have already been highlighted to CG&AC in the quarterly internal audit reports. Any reports with this opinion issued since 1<sup>st</sup> February 2013 have been highlighted in this annual report.***

Further reviews in each area where limited assurance has been provided are scheduled to be completed to ensure recommendations have been adopted and suggested controls are working well in practice.

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
<b>Financial and Other Key Systems</b>					
Business Support Centre – Central Payments Service	Good	Good	Minor	Resources	04/07/2012
Sundry Income – City Development	Good	Acceptable	Minor	City Development	05/07/2012
Creditors Year End Reconciliation	Substantial			Resources	24/07/2012
Community Care Finance – Payments to independent providers of residential and nursing care and customers in receipt of direct payments and personal budgets	Good	Acceptable	Moderate	Adult Social Care	31/07/2012
Corporate Financial Management Central Controls	Substantial	N/A	Minor	Resources	06/08/2012
Bank Reconciliation and Cashbook	Substantial	Substantial	Minor	Resources	06/08/2012
Creditors – Adult Social Care	Good	Good	Minor	Adult Social Care	10/08/2012
Capital Programme Central Controls	Acceptable	Good	Moderate	Resources	17/09/2012
Housing and Council Tax Benefits Year End Reconciliation	Substantial			Resources	21/09/2012
Housing Benefit Counter Fraud	Good	Good	Minor	Resources	29/10/2012



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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Central Financial Controls of Local Authority Maintained Schools	Good	N/A	Minor	Resources	21/11/2012
Income Management System	Substantial	Substantial	Minor	Resources	25/02/2013
Sundry Income – HMO Licensing	Substantial	Substantial	Minor	Environment and Neighbourhoods	18/03/2013
Sundry Income – Deaf START	Good	Good	Minor	Children's Services	19/03/2013
Central Payments Review	Substantial	Substantial	Minor	Environment and Neighbourhoods	19/03/2013
Central Payments Review	Substantial	Substantial	Minor	Children's Services	19/03/2013
Central Payments Review – Central Payment Service	Substantial	Substantial	Minor	Resources	19/03/2013
Central Sundry Income	Substantial	Substantial	Minor	Resources	20/03/2013
National Non-Domestic Rates	Substantial	N/A	Minor	Resources	02/04/2013
Treasury Management and Bankline	Substantial	Substantial	Minor	Resources	02/04/2013
Council Tax	Substantial	N/A	Minor	Resources	02/04/2013
Housing Rents	Good	Good	Minor	Environment and Neighbourhoods	02/04/2013
Housing Benefits – Assessments and Payments	Substantial	N/A	Minor	Resources	09/05/2013
Housing Benefit and Council Tax Benefit - Reconciliations	Substantial	N/A	Minor	Resources	09/05/2013
Purchasing Cards Management Unit – Central Controls Review	Substantial	N/A	Minor	Resources	14/05/2013
Integrity of Accounts	Substantial	N/A	Minor	Resources	14/05/2013
Payroll and HR Administration	Substantial	Substantial	Minor	Resources	21/05/2013

Compliance Area	Report Title	Level of compliance	Directorate	Date Issued
Ethical Standards	Members Allowances	High	Resources	28/09/2012
Payroll – non basic pay	Overtime Payments 2011-12	Low	Adult Social Care	17/09/2012
	Overtime Payments 2011-12	Medium	Business Support Centre	17/09/2012
	Overtime Payments 2011-12	Low	Children's Services	17/09/2012
	Overtime Payments 2011-12	Low	City Development	17/09/2012
	Overtime Payments 2011-12	Low	Environment & Neighbourhoods	17/09/2012
	Overtime Payments 2011-12	Low	Overarching report	17/09/2012
	Overtime Payments 2011-12	Medium	Resources	17/09/2012

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Compliance Area	Report Title	Level of compliance	Directorate	Date Issued
Unannounced Visits	Dolphin Manor Home for Older People	Medium	Adult Social Care	03/08/2012
	Richmond House Home for Older People	Medium	Adult Social Care	13/08/2012
	Armley Library	High	City Development	21/08/2012
	Garforth Library	Medium	City Development	21/08/2012
	Osmondthorpe Resource Centre	High	Adult Social Care	28/08/2012
	Manorfield House Home for Older People	High	Adult Social Care	28/08/2012
	Scott Hall Sports Centre	High	City Development	28/08/2012
	Morley South Children's Centre	High	Children's Services	20/09/2012
	Fairview Home for Older People	Medium	Adult Social Care	20/09/2012
	Siegan Manor Home for Older People	Medium	Adult Social Care	05/10/2012
Policies and Procedures	Purchasing Cards 2011-12 (Quarter 4)	High	Adult Social Care	30/07/2012
	Purchasing Cards 2011-12 (Quarter 4)	High	Children's Services	30/07/2012
	Purchasing Cards 2011-12 (Quarter 4)	High	City Development	30/07/2012
	Purchasing Cards 2011-12 (Quarter 4)	High	Environment & Neighbourhoods	30/07/2012
	Purchasing Cards 2011-12 (Quarter 4)	High/ Medium	Resources	30/07/2012
	External Consultants – Compliance with CPRs	Medium	City Development	14/11/2012
	External Consultants – Compliance with CPRs	Medium	Adult Social Care	14/11/2012
	External Consultants – Compliance with CPRs	Medium	Children's Services	03/12/2012
	Direct Payments – Children's Social Work Complex Needs	Medium	Children's Services	13/02/2013
	Carbon Reduction Commitment	Low	Resources	25/03/2013
	Direct Payments - Access and Inclusion Service Area	Low	Adult Social Care	01/05/2013
	Direct Payments – Learning Disabilities	Low	Adult Social Care	01/05/2013
	Employment Background Checks	High	Resources	09/05/2013

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
<b>Compliance Reviews</b>					
Customer Monies Learning Disabilities Supported Living Service – Delph View	Acceptable	Acceptable	Moderate	Adult Social Care	29/06/2012
Customer Monies Learning Disabilities Supported Living Service – Westerton	Acceptable	Limited	Moderate	Adult Social Care	29/06/2012

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Customer Monies Learning Disabilities Supported Living Service – Albert Court	Acceptable	Limited	Moderate	Adult Social Care	29/06/2012
Customer Monies Learning Disabilities Supported Living Service – South Parkway	Acceptable	Acceptable	Moderate	Adult Social Care	29/06/2012
Benton Park School – follow up review	Good	Acceptable	Minor	Children’s Services	18/07/2012
Income from Cemeteries and Crematoria	Good	Good	Minor	City Development	01/08/2012
City of Leeds High School Follow Up Review	Good	N/A	Minor	Children’s Services	04/09/2012
Swarcliffe Primary School – follow up review	Acceptable	Acceptable	Minor	Children’s Services	12/10/2012
<b>Procurement, Monitoring and Improvement</b>					
Procurement Unit – Off Contract Spend	Good	N/A	Minor	Resources	10/08/2012
Quarterly Review of Published Payments – City Development	N/A	Good	N/A	City Development	21/08/2012
Quarterly Review of Published Payments – Children’s Services	N/A	Good	N/A	Children’s Services	21/08/2012
Quarterly Review of Published Payments – Adult Social Care	N/A	Good	N/A	Adult Social Care	21/08/2012
Quarterly Review of Published Payments – Environment and Neighbourhoods	N/A	Good	N/A	Environment and Neighbourhoods	21/08/2012
Quarterly Review of Published Payments – Resources	N/A	Good	N/A	Resources	21/08/2012
Electoral Printing Services Contract Review	Acceptable	Acceptable	Minor	Resources	04/02/2013
Central Performance Management Review	Good	N/A	Minor	Customer Access and Performance	07/02/2013
Housing Partnerships Central Controls	Acceptable	N/A	Minor	Environment and Neighbourhoods	19/02/2013
UK – Leeds Highways and Transportation Partnership Contract Review	Good	Good	Minor	City Development	16/04/2013
Disabled Facilities Grant	Good	Good	Minor	Environment and Neighbourhoods	08/05/2013
Duplicate Payments Central Controls Review	Substantial	N/A	Minor	Resources	14/05/2013
Plant Hire Contract Review	Good	Substantial	Minor	City Development	21/05/2013
Grounds Maintenance Services Contract Review	1/1/12 to 31/8/12 Limited	1/1/12 to 31/8/12 Limited	Minor	Environment and Neighbourhoods	21/05/2013
	1/9/12 to 28/2/13 Substantial	1/9/12 to 28/2/13 Substantial			
Waste Management Contract Review	Good	Good	Minor	Environment and Neighbourhoods	22/05/2013
<b>Risk Based Reviews</b>					
Information Governance Follow Up Review	Acceptable	N/A	Moderate	Resources	29/08/2012

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Car Loans	Substantial	Good	Minor	Resources	12/10/2012
Insurance	Good	Good	Minor	Resources	24/10/2012
Children's Centre Fee Income – Central Controls	Acceptable	N/A	Minor	Children's Services	30/10/2012
Mortgages	Good	N/A	Minor	Environment & Neighbourhoods/ Resources	06/11/2012
Strategy and Commissioning	Good	Good	Minor	Environment & Neighbourhoods	15/11/2012
Schools Trading Follow Up Review	Acceptable	N/A	Minor	Children's Services	14/12/2012
Temporary Accommodation and Homelessness	Acceptable	Limited	Minor	Environment and Neighbourhoods	20/02/2013
ICT Equipment Purchasing and Disposal Follow Up Review	Limited	N/A	Minor	Resources	21/03/2013
<b>Spending Money Wisely Reviews</b>					
Review of Charges for the Hire of Children's Services Buildings	Spending Money Wisely Review – standard assurance opinion not provided. Recommendations made/options proposed in relation to enforcing current charging policies, developing directorate/council charging policies, maximising usage and consideration of central management of bookings.			Children's Services	10/10/2012
ICT Software Licences Review	Spending Money Wisely Review – standard assurance opinion not provided. Recommendations made to improve controls to ensure there is a system in place that can appropriately manage and monitor software licences throughout the Council.			Resources	21/12/2012
Spending Money Wisely Challenge July 2012	Medium level of compliance			Cross Cutting	15/02/2013
Spending Money Wisely Challenge August 2012	High level of compliance			Cross Cutting	15/02/2013
Review of Travel	High level of compliance			Cross Cutting	19/04/2013
Spending Money Wisely Challenge September and October 2012	Medium level of compliance			Cross Cutting	09/05/2013
<b>Housing Partnerships Assurance Framework</b>					
Procurement – West North West Homes	Acceptable	Acceptable	Minor	Environment and Neighbourhoods	02/08/2012
Tenancy Enforcement (Tenancy Fraud) – West North West Homes	Good	Acceptable	Moderate	Environment and Neighbourhoods	02/08/2012
Information Governance (Freedom of Information and Data Protection Act Requests) - East North East Homes	Good	Good	Minor	Environment and Neighbourhoods	11/12/2012
Information Governance (Freedom of Information and Data Protection Act Requests) – West North West Homes	Good	Good	Minor	Environment and Neighbourhoods	10/01/2013
Housing Options Lettings Enforcement Follow Up Review	N/A	Limited	Moderate	Environment and Neighbourhoods	20/02/2013
Information Governance (Freedom of Information and Data Protection Act Requests) – Aire Valley Homes	Good	Good	Minor	Environment and Neighbourhoods	05/04/2013

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Health and Safety Self-Assessment - BITMO	Internal Audit confirmed that evidence was available to support the assertions made by BITMO in the self-assessment for phases 1 and 2 of the scheme. Phases 3 and 4 could not be reviewed as the scheme had not been completed at the time of the audit.			Environment and Neighbourhoods	26/04/2013
Health and Safety Self-Assessment – West North West (WNWH) Homes	Internal Audit confirmed that evidence was available to support the assertions made by WNWH in the self-assessment for phases 1 and 2 of the scheme. Phases 3 and 4 could not be reviewed by as the scheme had not been completed at the time of the audit.			Environment and Neighbourhoods	29/04/2013
Health and Safety Self-Assessment – East North East (ENE) Homes	Internal Audit confirmed that evidence was available to support the assertions made by ENE in the self-assessment for phases land 2 of the scheme. Phases 3 and 4 were not applicable.			Environment and Neighbourhoods	29/04/2013
Health and Safety Self-Assessment – Aire Valley Homes (AVH)	Internal Audit confirmed that evidence was available to support the assertions made by AVH in the self-assessment for phases 1, 2 and 4 of the scheme. Phase 3 was not applicable for this scheme.			Environment and Neighbourhoods	09/05/2013
<b>Head of Audit Assurances</b>					
Local Transport Capital Block Funding (Integrated Transport and Highways Maintenance) Specific Grant Determination 2010 No 31/1859	Substantial			Resources	13/07/2012
Adel St John the Baptist CE Primary School Voluntary Fund Audit	Good			Children's Services	17/07/2012
Shakespeare Primary School Voluntary Fund Audit	Good			Children's Services	19/07/2012
Interreg Grant Claim - SeNS	Substantial			Adult Social Care	22/08/2012
Welcome to Yorkshire Tourism Grant Claim	Substantial			City Development	28/09/2012
Building Hope Charity	Good			Resources	12/10/2012
Temple Moor High School Science College – Voluntary Fund	Good			Children's Services	25/10/2012
Boston Spa School – Voluntary Fund	Good			Children's Services	29/10/2012
Holy Name Catholic Primary School – Voluntary Fund	Substantial			Children's Services	23/11/2012
Whitecote Primary School – Voluntary Fund	Good			Children's Services	23/11/2012
Oakwood Primary School – Voluntary Fund	Good			Children's Services	23/11/2012

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Bus Operators Grant Claim	Good			Resources	17/12/2012
Leeds City Region - Growing Places Grant Declaration 2012	Substantial			Customer Access and Performance	21/12/2012
Troubled Families Programme Review including the Troubled Families Grant Claim 2012/13	Substantial			Children's Services	22/01/2013
Kirkstall Valley Primary School – Schools Financial Value Standard	Good			Children's Services	15/02/2013
Interreg Grant Claim - SeNS	Substantial			Adult Social Care	20/02/2013
Cookridge Primary School – Schools Financial Value Standard	Good			Children's Services	28/02/2013
Christ the King Catholic Primary School – Schools Financial Value Standard	Good			Children's Services	19/03/2013
Lord Mayor's Appeal Fund – Independent Examination of Accounts	Good			Resources	20/03/2013
St Matthew's C of E Primary School – Voluntary Fund	Acceptable			Children's Services	09/05/2013

Section 3

## AUDIT PERFORMANCE AND ADDED VALUE 2012/2013

### ENSURING QUALITY

#### 3.1 Customer Feedback

Internal Audit is committed to delivering a quality product to the highest professional standards that adds value to our customers and actively monitors performance in a number of areas and encourages feedback from customers.

A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditees opinion on a range of issues with an assessment ranging from 5 (for excellent) to 1 (for poor). The results are based on the percentage of those assessments that are 3 (satisfactory) or above. The results are used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff. The results are also benchmarked with other core cities who have adopted the same questionnaire. The table also shows the percentage scores of 4 or above (good and excellent) to further identify marginal areas for improvement.

**Table - Results from Customer Satisfaction Questionnaires**

Question	Actual 2011/12 % Score 3 or above	Actual 2011/12 % Score 4 or above	Actual 2012/13 % Score 3 or above	Actual 2012/13 % Score 4 or above
Notice	100	100	100	95
Scope	100	92	98	88
Understanding	92	68	98	80
Efficiency	96	92	95	95
Consultation	100	84	100	93
Professional/Objective	100	92	100	93
Accuracy of Draft	100	84	95	80
Opportunity to comment	100	96	100	100
Clarity & Conciseness	100	96	100	100

Question	Actual 2011/12 % Score 3 or above	Actual 2011/12 % Score 4 or above	Actual 2012/13 % Score 3 or above	Actual 2012/13 % Score 4 or above
Final Report – Prompt	100	88	98	78
Recommendations	100	84	100	88
Added Value	92	80	100	88

Feedback from customer satisfaction questionnaires continues to be very positive. These results are again extremely encouraging, particularly as the nature and complexity of work undertaken by Internal Audit continues to change. The results for 2012/13 show a marked improvement in a number of areas, particularly in the assessment of the Auditor’s understanding of systems and operational issues as good or very good by customers of the service. This has increased from 68 to 80%. There have been improvements in a number of other areas including where customers felt that the level of consultation on the scope and objectives of the audit and the clarity and conciseness of the final report was good or very good. It was also pleasing to note that there were improvements in the area of added value. More of the service’s customers feel that the audits which are being undertaken are constructive and add value overall. Internal audit has been part of the core cities benchmarking club for over ten years – consistently being a high performer across a whole range of key cost and quality measures. Examples include cost per audit day and percentage of productive time as well as customer questionnaires and perceptions of added value.

### 3.2 Quality Standard Accreditation

All our work is undertaken in accordance with our quality management system, which has now been ISO accredited for over fifteen years. During February 2013 an independent review was undertaken of Internal Audit’s quality system to ensure compliance with the new ISO 9001:2008 standard. The review team conducted a process-based audit, focusing on significant aspects/risks/objectives required by the standard and concluded that:

*“..... the organisation has established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products and services within the scope and the organisations’ policy and objectives.”*

The next review visit is due in July 2013.

### 3.3 Continuing Professional Development

In a rapidly changing environment it is important that all Internal Auditors are kept abreast of the latest audit and accounting methodologies, changes in legislation and best practice as well as changes to the public sector arena so they have the necessary skills and knowledge to perform their role to a high standard. This is done via Continuing Professional Development (CPD), which the Section continues to support and promote via in-house training courses and external CPD events such as CIPFA seminars. Much of this CPD is done in officers own time showing a personal commitment to continual improvement of the Team.

The Code of Practice for Internal Audit in local Government in the UK 2006 states that Internal Audit staff have a personal responsibility to undertake a programme of CPD to maintain and develop their competence. This is also a key element of the Public Sector Internal Audit Standards - applicable from 1<sup>st</sup> April 2013 – which state (at Standard 1230) that *‘Internal Auditors must enhance their knowledge, skills and other competencies through continuing professional development.’* At Leeds, evidence of professional training and development activities must be retained and individual/group training needs identified.

### 3.4 Whistleblowing

Internal Audit continues to act as the custodians of the Council’s Whistleblowing Policy. In 2011/12, Internal Audit dealt with a total of 79 (90, 2011/12) potential irregularity referrals. All reported irregularities were risk assessed by Internal Audit and, where appropriate, an audit investigation was undertaken. Where it was more appropriate, the matter was referred to directorates or HR and follow up was undertaken.

Whistleblowing in respect of housing and council tax benefit is dealt with separately and is therefore not included in the above figures.

To further demonstrate the Council’s commitment to safeguarding public funds internal audit externally publicises an email address ([concerns@leeds.gov.uk](mailto:concerns@leeds.gov.uk)) where potential irregularities can be reported. This will continue to be undertaken via the Council’s internet.

Referrals were received in relation to the following Directorates:

Directorate	Number of Referrals
Adult Social Care	8
Children’s Services	20
City Development	7
Resources	20
Environment and Neighbourhoods	24
<b>Total</b>	<b>79</b>
Number of Referrals where source identified as Whistleblowing	53



Referrals were categorised as follows:

Category	Number of Referrals
Abuse of Position/Ethical Standards	20
Benefit	1
Blue Badge	5
Corruption	3
Council Tax	1
Economic & Third Sector Support	1
Housing Fraud – Non Benefit	3
Income/Debt/Banking/Payments	9
Information/IT	1
Local Taxation	1
Non Fraud	14
Payroll, Employee Contract Fulfilment & Expenses	10
Procurement	6
Recruitment/Personnel Fraud	3
Social Services	1
<b>Total</b>	<b>79</b>

The following action was taken by Internal Audit in response to the referrals:

Action Taken	Number of Referrals
Investigated by Internal Audit	34
<u>No investigation or referral:</u>	
Advice given re controls	6
Withdrawn	1
Referred to Police or other body as outside remit of the Council	2
Already investigated as part of wider audit coverage	1
<u>Referrals made to:</u>	
ALMO	1
Benefits	5
Chief Officer – Libraries, Arts & Heritage	1
Chief Officer – Revenues & Benefits	1
Council Tax	1
Director of Adult Social Care	2
Director of Children’s Services	2
Director of Environment and Neighbourhoods	9
Head of Finance – Children’s Services	1
Head of Finance – Schools Team	1
Human Resources	6
Parking Services	2
School Chair of Governors	1

Action Taken	Number of Referrals
Strategic Landlord	2
<b>Total</b>	<b>79</b>

Outcomes from anti-fraud and corruption work include the following:

- Improvements have been made to the systems and procedures in relation to contractor procurement and the payment of subcontractor invoices within a service area;
- A corporate reminder has been issued to staff regarding the use of social media network and a revised policy for their use has been issued;
- A review of the procedures in place for authorising carry forward leave is to be undertaken within a service area to ensure compliance with the Council's policy;
- Disciplinary action has been taken against a school employee;
- Recommendations to improve the procedures for recruitment & selection, managing attendance, lettings, overtime payments and purchasing card transactions have been made to a school;
- Recommendations have been made to a school to improve the controls for extended schools income. Pro-active fraud coverage is also planned in this area to identify further areas where funds may have been misappropriated;
- Potential cases of single person discount fraud have been raised with the Council Tax team for consideration;
- Improvements have been made within a service area in relation to the process for managing declared employee interests;
- Recommendations have been made to improve the controls relating to the recording and monitoring of reclaimed stone;
- Improvements have been made to the systems and procedures in place within an Adult Social Care establishment in relation to client monies;
- A review of the arrangement between LCC and a service provider is to be undertaken by HR and the Directorate which may lead to potential savings of £14K per annum;
- Raising awareness of inappropriate business practices of companies specifically targeting schools has been raised with Children's Services Finance to reduce the risk of payments being made for goods and services that were not received.

### *3.5 Data Analytics*

The Data Analytics project commenced in October 2011 concentrating initially on the council tax single person discount (SPD) review.

The single person discount review resulted in the following:

- Quarter 1: the review resulted in almost 2,000 SPDs being cancelled, although 330 applied for or had been granted another discount of the same value. The annual equivalent net increase in council tax billings from the work was estimated at £227,000.

- Quarter 2: the number of net SPD cancellations was approximately 300 with an estimated net increase in council tax billings of £67,000. The SPD review work was transferred to the Council Tax team at Hough Top Court from mid-September 2012.
- Quarter 3: for the period October 2012 to January 2013, 108 SPDs were cancelled at a net estimated value of £24,200.
- Quarter 4: for the period February 2013 to March 2013, little work was completed on this review due to staff working on welfare reform changes.

In addition to completing the reviews already commenced, work will also commence on data which has been obtained for a further 15,220 SPD claimants for review, including 8,500 who are claiming benefits.

Work has been undertaken on tenancy sub-letting. Some issues were identified but to date no tenancy frauds have been confirmed from this review. ALMOs have however identified a number of tenancy frauds by other means, e.g. tenancy visits, referrals etc. A number of these were also identified in the data matching exercise. A degree of comfort can be obtained from the fact that the procedures already in place are identifying tenancy fraud. Revised data has been provided for which the high risk cases are currently being reviewed by the ALMOs.

Work has been undertaken on the validity of creditors and voluntary organisations the council makes payments to. No fraudulent organisations have yet been found although work is still ongoing.

The trial reviews on business rates empty property reviews and debtor collection have been completed. Following an analysis of the sample results the Chief Revenues and Benefits officer has concluded that these reviews do not add value.

The contract included a review to whether the Experian Mosaic Public Sector data could help deliver significant cost savings by informing the delivery of services via cheaper channels and by joining up services and the locations from which they are offered. This work was undertaken by the Business Intelligence Team with the data being used on several projects they have been working on.

Whilst the varied range of work undertaken results in potentially intangible benefits to the organisation, there have been some projects that have seen a definite improvement with the use of Mosaic Public Sector data (such as a tangible increase in LeedsCard membership after the January 2012 campaign targeting specific groups). Based on people who purchased a card following this campaign re-apply in 2013 they have estimated potential increased revenue of £1m over a two year period. Feedback from

the other projects has been very positive, with the outputs providing additional intelligence to various pieces of work.

We have been working with Adult Social Care and identified potential areas the data could be used which involve assessing the reasonableness of information clients provide on financial assessments and checking our records of service recipients to mortality records, especially where care is being provided outside the Leeds area, to ensure we are not being charged for anyone who is deceased. We are awaiting the output from Experian to trial these two areas.

Further outputs are due from Experian to help identify any potential conflicts of interest within the creditor payments system, to assess the benefits of Experian data for reviewing council tax empty properties and to compare their records of businesses operating in Leeds to our Business Rates register.

### *3.7 Reducing bureaucracy*

Internal Audit has continued to provide advice on a wide range of issues including interpretation of Contract Procedure Rules and Financial Procedure Rules, and on risks and controls within individual systems or processes. Internal Audit provides clear, risk based recommendations with a view to reducing bureaucracy whilst still maintaining a robust control environment.

Advice has been provided in relation to the following areas:

<b>Area</b>	<b>Number of Queries responded to</b>
Purchasing/Creditors	10
Payroll	7
Information Governance	7
Housing Benefits	5
Assets	4
Clients' Money	3
Budgetary Control	2
Income	2
Treasury Management	1
Grants	1
Unofficial Funds	1
Statutory Compliance	1
Community Care	2
Health and Safety	1
Right to Buy	1
Ethical Standards	1
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**Report of the Director of Resources and Deputy Chief Executive**

**Report to Corporate Governance and Audit Committee**

**Date: 10<sup>th</sup> July 2013**

**Subject: Internal Audit Quarterly Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary of main issues**

1. The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
2. This report provides a summary of internal audit activity for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2013 and highlights the incidence of any significant control failings or weaknesses.
3. The proposed Internal Audit Plan for 2013/14 is also included as part of this report.

**Recommendations**

4. The Corporate Governance and Audit Committee is asked to receive the Internal Audit April to June 2013 report and note the work undertaken by Internal Audit during the period covered by the report.
5. The Corporate Governance and Audit Committee is asked to note the Internal Audit Plan for 2013/14.

## **1 Purpose of this report**

- 1.1 This purpose of this report is to provide a summary of internal audit activity for the period 1st October to 30th November 2012 and highlight the incidence of any significant control failings or weaknesses.
- 1.2 The proposed Internal Audit Plan for 2013/14 is also included as part of this report and has been challenged and agreed by the Deputy Chief Executive and Director of Resources.

## **2 Background information**

- 2.1 The Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

## **3 Main issues**

- 3.1 The report details the work undertaken by the Internal Audit Section. The report also contains a summary of completed reviews along with their individual audit opinions.
- 3.2 There are no issues identified by Internal Audit in the April to June 2013 Internal Audit Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.
- 3.3 Internal Audit will continue to undertake a follow up audit on reports with limited or no assurance or where the impact has been determined as either 'Major' or 'Moderate' to ensure the revised controls are operating well in practice.
- 3.4 The report also includes the 2013/14 Audit Plan. The current level of resources available with existing staff levels for productive audit work is 5727 days. The level of resources required to be seconded is 506 days and the number of days required to provide internal audit services for which a charge is made is 634 days. Therefore the estimated level of resources that are available to specifically provide the Head of Audit with the evidence for his opinion on the control environment is 4587 days.
- 3.5 It is proposed that internal audit continues to prepare 3 monthly plans to ensure it is as current and relevant as possible throughout the year.
- 3.6 Progress against the plan will be monitored throughout the year and key issues reported to the Director of Resources and Deputy Chief Executive, the Chief Officer (Financial Management) and the Chief Officer (Audit & Investment.) The Head of Audit will report key issues arising from this work to the Committee in the regular update reports.

## **4 Corporate Considerations**

### **4.7 Consultation and Engagement**

4.7.1 This report did not highlight any consultation and engagement considerations.

### **4.8 Equality and Diversity / Cohesion and Integration**

4.8.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

### **4.9 Council policies and City Priorities**

4.9.1 The terms of reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the Council's corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee.

### **4.10 Resources and value for money**

4.10.1 In relation to resources and value for money, the Internal Audit annual report includes a number of value for money reviews and a number of initiatives in line with the council's value of spending money wisely.

### **4.11 Legal Implications, Access to Information and Call In**

4.11.1 None.

### **4.12 Risk Management**

4.12.1 The Internal Audit plan has been and will continue to be subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.

## **5 Conclusions**

5.1 There are no issues identified by Internal Audit in the April to June 2013 Internal Audit Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

## **6 Recommendations**

6.1 Internal Audit will continue to undertake a follow up audit on audit reports with limited or no assurance opinions or where the impact has been determined as either 'Major' or 'Moderate' to ensure the revised controls are operating well in practice.

6.2 The Corporate Governance and Audit Committee is asked to note the Internal Audit Operational Plan for 2013/14.

## **7 Background documents**

7.1 None.



# **LEEDS CITY COUNCIL**

## **Internal Audit Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013**

**2013/14**

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## ***Section***

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**Background**

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### **3. AUDIT PERFORMANCE 2013/14**

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Section 1

## INTRODUCTION

### 1.1 The Reporting Process

1.1.1 This quarterly report provides stakeholders, including the Corporate Governance & Audit Committee, with a summary of internal audit activity for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2013.

### 1.2 Background

1.2.1 The changing public sector environment continues to necessitate an ongoing re-evaluation of the type & level of coverage required to give stakeholders the appropriate level of assurance on the control environment of the Council. This report outlines the work completed in the 3 month period to 30<sup>th</sup> June 2013.

### 1.3 How Internal Control is reviewed

1.3.1 There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.

1.3.2 However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

1.3.3 Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

1.3.4 To ensure consistency in audit reporting, the following definitions of audit assurance are used for all systems and governance audits completed:

Control Environment Assurance		
Level		Definitions
1	SUBSTANTIAL ASSURANCE	There are minimal control weaknesses that present very low risk to the control environment.
2	GOOD ASSURANCE	There are minor control weaknesses that present low risk to the control environment.
3	ACCEPTABLE ASSURANCE	There are some control weaknesses that present a medium risk to the control environment.

Control Environment Assurance		
Level		Definitions
4	LIMITED ASSURANCE	There are significant control weaknesses that present a high risk to the control environment
5	NO ASSURANCE	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance		
Level		Definitions
1	SUBSTANTIAL ASSURANCE	The control environment has substantially operated as intended although some minor errors have been detected.
2	GOOD ASSURANCE	The control environment has largely operated as intended although some errors have been detected.
3	ACCEPTABLE ASSURANCE	The control environment has mainly operated as intended although errors have been detected.
4	LIMITED ASSURANCE	The control environment has not operated as intended. Significant errors have been detected.
5	NO ASSURANCE	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational impact will be reported as either major, moderate or minor. All reports with major organisational impacts will be reported to CLT along with the appropriate directorate's agreed action plan.

Organisational Impact		
Level		Definitions
1	MAJOR	The weaknesses identified during the review have left the council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
2	MODERATE	The weaknesses identified during the review have left the council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
3	MINOR	The weaknesses identified during the review have left the council open to low risk. This could have a minor impact on the organisation as a whole.

1.3.5 Specifically for the compliance reviews undertaken, the following definitions have been used to assess the level of compliance in each individual area reviewed:

Opinion for Compliance Audits – Levels of Compliance		
Level		Definitions
1	HIGH	There was significant compliance with agreed policy and/or procedure with only minor errors identified.
2	MEDIUM	There was general compliance with the agreed policy and/or procedure. Although errors have been identified these are not considered to be material.
3	LOW	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

## 1.4 Progress against the 2013/14 Internal Audit Plan – Individual Reviews

1.5.1 The individual reports, and the opinions given within those reports, are detailed in the following table. Not all audit reviews will have an opinion in each of the boxes as this is dependant on the type of review undertaken. The following table includes reports issued between 23<sup>rd</sup> May and 30<sup>th</sup> June 2013. Details of reports issued between 1<sup>st</sup> April and 22<sup>nd</sup> May 2013 were included in the Annual Report 2012/13.

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
<b>Financial and Other Key Systems</b>					
West Yorkshire Pension Fund 2012/13 – Year End Returns	N/A	Substantial	N/A	Resources	29/05/2013
Sundry Income - charges for meals for Fulfilling Lives sites	N/A	Good	N/A	Adult Social Care	04/06/2013
Year End Reconciliation – Civica to FMS	N/A	Substantial	N/A	Resources	04/06/2013
Daily reconciliations of Income Management System (IMS) to Financial Management System (FMS) at the year end	N/A	Substantial	N/A	Resources	11/06/2013

Compliance Area	Report Title	Level of compliance	Directorate	Date Issued
Policies and Procedures	Travel and Subsistence	High	Customer Access and Performance	04/06/2013
	Travel and Subsistence	Medium	Children's Services	11/06/2013
	Travel and Subsistence	Low	Adult Social Care	11/06/2013

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
<b>Procurement, Performance and Improvement</b>					
Oulton Primary School Contract Review	Acceptable	Acceptable	Minor	Children's Services	21/05/2013
Supply of Library Materials Contract Review	Acceptable	Good	Minor	City Development	13/06/2013
Children's Services Contract Review	Acceptable	Acceptable	Minor	Children's Services	17/06/2013
<b>Spending Money Wisely Reviews</b>					
Spending Money Wisely Challenge – November 2012	N/A	Medium Level of Compliance	N/A	Cross Cutting	30/05/2013
<b>Strategic Landlord Assurance Framework</b>					
Housing Partnerships Lettings Self-Assessment BITMO	Internal Audit reviewed the evidence in place to support the self-assessment. This review did not include an assessment of the			Environment and Neighbourhoods	14/06/2013
Housing Partnerships Lettings Self-Assessment Aire Valley Homes (AVHL)				Environment and Neighbourhoods	14/06/2013

**Internal Audit Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013**

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Housing Partnerships Lettings Self-Assessment West North West Homes (WNWH)	controls in place relating to lettings. Internal Audit confirmed that evidence was available to support the assertions made by			Environment and Neighbourhoods	14/06/2013
Housing Partnerships Lettings Self-Assessment East North East Homes (ENEH)				Environment and Neighbourhoods	14/06/2013
<b>Head of Audit Assurances</b>					
Bus Operators Grant Claim period 1 <sup>st</sup> October 2012 – 31 <sup>st</sup> March 2013	See Section 2.4			Resources	18/06/2013

Further details of key issues identified within each assurance block are included below in the *Summary of Audit Activity and Key Issues at Section 2*.

Section 2

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## **SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES**

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A summary of reports issued within each assurance block is included in the table in Section 1. The following section highlights any key issues and outcomes within each assurance block.

### **2.1 *Spending Money Wisely***

#### **2.2.1 Spending Money Wisely Challenge**

Work is continuing on a monthly basis to review a sample of payments from the monthly published payments list and obtain information from authorising officers about how they have ensured their expenditure provides value for money. Results of each review have been issued to Corporate Leadership Team and Directorate Heads of Finance. Where specific issues are identified, these have been reported separately to individual Directors and/or Corporate Leadership Team for dissemination to staff within their area.

Reviews have been completed on transactions from July, August, September, October and November 2012 published payments lists. Work is currently on-going on payments made during December 2012 to March 2013.

Issues arising from the reviews are also publicised on the Spending Money Wisely blog along with guidance (including links to relevant corporate policies and procedures) on how staff can ensure they getting value for money, for example:

- Use of internal providers;
- Procurement rules, particularly for expenditure below £10k and £10k – £100k;
- Hiring council rooms.

Internal Audit will follow up the recommendations made from each review to assess progress towards implementation.

#### **2.2.2 Spending Money Wisely Ideas Service**

Over 512 staff ideas have now been received on ways to save money or improve services. 385 of these were passed over by the Communications Team in February 2013 and an additional 127 staff ideas have been collated by Internal Audit since that date.

All the ideas are currently being assessed to determine the best course of action. Some of these may be incorporated into Internal Audit coverage, but some may

be better considered within Directorates, by the Budget Plus programme or by other corporate initiatives or programmes.

### 2.2.3 InSite and Blog

As reported previously, the Spending Money Wisely 'initiatives you need to know about' page is now live on InSite. The aim of the page is to be a centre of excellence for Spending Money Wisely and includes the facility for both staff and Internal Audit to post examples of best practice via the Spending Money Wisely blog. The site also has links to the Internal Audit ideas service for savings and service improvements to enable staff to share their suggestions.

There have been 11 posts on the spending money wisely blog to date, on a variety of topics including:

- Staff ideas considered and the outcome;
- Existing work across the council to save money and improve services;
- Best practice guidance on how to achieve value for money;
- Examples of spending money wisely that we've come across in our own work;
- Requests from services to help publicise their money saving initiatives, for example a request for spare computers to be returned to ICT so they can be reused.

A number of these have also been publicised by the Communications Team in the weekly Essentials e-mail.

Future updates planned include the following, which are linked to ideas received from staff:

- Energy efficiency advice;
- Promoting recycling of office waste (requested by the Sustainable Development Unit);
- The role of the order authoriser in making sure value for money is obtained;
- Outcome of our review of essential car user allowances;
- Outcome of our review of agency staff arrangements;
- Outcome of the suggestion that the Council should charge for credit card payments.



## 2.2 *Head of Audit Assurances*

### Bus Operators Grant Claim, period 1st October 2012 to 31st March 2013

Internal Audit has reviewed the process for completing the Bus Operators Grant Claim and certified the claim.

Internal Audit identified errors in the figures quoted on the initial claim which were corrected during the audit. The work undertaken by Internal Audit has resulted in an increase in the claim of £12k.

## Section 3

## AUDIT PERFORMANCE 2013/2014

### 3.1 ENSURING QUALITY

Internal Audit is committed to delivering a quality product to the highest professional standards that adds value to our customers. We actively monitor our performance in a number of areas and encourage feedback from customers.

All our work is undertaken in accordance with our quality management system; we have now been ISO accredited for over fourteen years.

A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditees opinion on a range of issues and asks for an assessment ranging from 5 (for excellent) to 1 (for poor). The results are based on the percentage of those assessments that are 3 (satisfactory) or above. The results of the questionnaires are reported to the Audit Leadership Team and used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff. The results are also benchmarked with other core cities who have adopted the same questionnaire.

Also shown in the table are the percentage scores of 4 or above (good and excellent) to further identify marginal areas for improvement.

#### Results from Customer Satisfaction Questionnaires

Question	Actual 1 <sup>st</sup> April to 30 <sup>th</sup> June 2013 % Score 3 or above	Actual 1 <sup>st</sup> April to 30 <sup>th</sup> June 2013 % Score 4 or above
Notice	100%	100%
Scope	100%	93%
Understanding	100%	93%
Efficiency	100%	100%
Consultation	100%	100%
Professional/Objective	100%	86%
Accuracy of Draft	93%	93%
Opportunity to comment	100%	100%

*Internal Audit Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013*

<b>Question</b>	<b>Actual 1<sup>st</sup> April to 30<sup>th</sup> June 2013 % Score 3 or above</b>	<b>Actual 1<sup>st</sup> April to 30<sup>th</sup> June 2013 % Score 4 or above</b>
Final Report - Clarity & Conciseness	100%	100%
Final Report – Prompt	100%	86%
Recommendations	100%	85%
Added Value	100%	87%

*Section 4*

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## ***INTERNAL AUDIT PLAN 2013/14***

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### *4.1 Background*

The Head of Audit must provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems. To support this, internal audit must develop and deliver a risk based plan which takes into account the organisation's risk management framework and includes an appropriate and comprehensive range of work, sufficiently robust to confirm that all assurances provided as part of the system of internal audit can be relied upon by the CG&AC.

To develop this plan, there must be a sound understanding of the risks facing the Council. The Corporate Risk Register is used as a key source of information, as is the Internal Audit risk assessment of the Authority, which is updated during the year and used to form the basis of the Internal Audit plan.

The audit plan has been reviewed and challenged by Audit Leadership Team, the Chief Officer (Audit and Investment), the Chief Officer (Financial Management) and the Director of Resources & Deputy Chief Executive and revised where necessary.

### *4.2 The Annual Plan*

The planning process for 2013/14 has again necessitated a thorough evaluation of the appropriate level and scope of coverage required to give stakeholders, including the CG&AC, an appropriate level of assurance on the control environment of the Council. More importantly, an on-going re-evaluation of this will be required throughout the year. On a quarterly basis, the audit plan will be re-assessed and resources re-prioritised towards the areas of highest risk. This will be reported to the CG&AC as part of the regular update reports.

The plan follows the same principles as agreed in previous years i.e. based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. For each assurance block, the most appropriate level of coverage necessary to provide the most effective annual assurance opinion and added value to the organisation has been developed. Audit assignments have been split between Financial Resource risks (i.e. those with a financial impact) and Strategic risks (i.e. non-financial impact reviews.)

The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on assurance and, more recently, spending money wisely/value for money.

#### *4.3 How assurance can be given*

##### *4.3.1 Financial and Other Key Systems*

This is the traditional area of internal audit work, required by external audit, and very much focuses on providing the Section 151 officer assurance that “the Council has made arrangements for the proper administration of its financial affairs.” These systems are agreed in advance with External Audit and are used as the basis by which External Audit area able to place reliance on Internal Audit work. These are generally the systems that have the highest financial risk. The proposed coverage is shown in the attached audit plan for 2013/14 but will cover key expenditure systems such as payroll and creditors and income areas such as council tax and rents. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

##### *4.3.2 Compliance*

Compliance work is fundamental as it provides assurance across all Directorates and therefore underpins the Head of Internal Audit opinion on the control environment. The proposed coverage for compliance is underpinned by an assessment of the Council’s framework of controls (often underpinned by policies and procedures) and includes those core areas where a high level of compliance is necessary for the Council to carry out its functions properly. The work involves compliance checks across the organisation to provide assurance on whether key policies and procedures are being complied with in practice. This work will continue to challenge the existing controls to ensure that they are modern, effective and proportionate.

##### *4.3.3 Spending Money Wisely*

This assurance block incorporates the on-going work on initiatives to promote the council’s value of Spending Money Wisely including the Spending Money Wisely ideas service, monthly review of expenditure and the Spending Money Wisely InSite page. In addition, 400 days have been included to undertake a number of Spending Money Wisely/Value for Money projects across the authority

##### *4.3.4 Risk Based Plan*

Following inclusion in the Plan of all the ‘top sliced’ areas outlined, the remaining audit areas (Risk Based Reviews) included in the audit universe are prioritised for inclusion based on their risk score up to the overall level of resources in the year. These will be a key element of the assurance on the entire control environment of the authority.

##### *4.3.5 Procurement, Monitoring and Improvement*

Within this assurance block, 240 days have been included for contract reviews. The first stage will be to identify the potential contracts for review and will incorporate open book reviews where required to ensure that these are operating in accordance with the

terms of the contracts. In addition, a number of cross cutting reviews are planned including price/quality reviews, contract extensions and tender estimates.

#### *4.3.6 Anti-Fraud and Corruption*

The Anti-Fraud and Corruption assurance block includes both reactive and pro-active elements along with a number of initiatives to raise awareness of the council's anti-fraud and corruption culture and to report on the arrangements in place. In addition to the time allocation for fraud investigation work including the risk assessment process for referrals, the assurance block includes an allocation of days for pro-active fraud strategy work.

#### *4.3.7 Secondments*

506 days for secondments have been included in the Audit Plan for 2013/14. This represents 30 days coverage of Credit Union, 170 days to support the work of Leeds and Partners and 306 days business analysis.

#### *4.3.8 Internal Audit Income target*

The Audit Plan for 2013/14 includes 634 days to provide internal audit services for which a charge is made.

#### *4.3.9 ICT*

The ICT assurance block includes reviews of key ICT risk areas – major ICT failure and ICT strategy. It also includes an allocation of time for the review of general computer controls to provide assurance that systems are correctly processing information accurately and on a timely basis. The assurance block also incorporates time for data analytics work including a review to identify potential duplicate payments (similar to the exercise which was carried out previously on 2009/10 data.)

#### *4.3.10 Policies and Procedures*

A number of policies and procedures will be reviewed to ensure these are: up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved.

#### *4.3.11 Continuing Development*

333 days have been included for professional liaison and for on-going development within Internal Audit.

#### *4.3.12 Contingency*

The audit plan contains a contingency provision that is utilised during the year in response to unforeseen work demands that arise.

#### *4.4 Conclusion*

The 2013/14 audit plan has, as a base, used the tried and tested risk based approach to prioritising internal audit work.

The Plan has been determined by resources available and all efforts will be made to maximise coverage to provide the most effective and agile internal audit service possible that focuses on those key risks currently facing the organisation throughout the year.

Progress against the plan will be monitored throughout the year and key issues reported to the Deputy Chief Executive and Director of Resources, the Chief Officer (Financial Management) and the Chief Officer (Audit & Investment). The Head of Audit will report key issues arising from this work to the CG&AC in the regular update reports.

## INTERNAL AUDIT PLAN 2013/14

### Summary by Assurance Block

Assurance Block	Days	% of total assurance days
<b>Financial Resource Risks</b>		
Spending Money Wisely	695	15%
Anti-Fraud and Corruption	600	13%
Financial and Other Key Systems	810	17%
Head of Audit Assurances	65	1%
Compliance	504	11%
Procurement, Performance and Improvement	375	8%
Risk Based Audits	345	8%
ICT	350	8%
<b>Strategic Risks</b>		
Compliance	97	2%
Policies and Procedures	38	1%
ICT	40	1%
Risk Based Audits	55	1%
<b>Continuing Development</b>		
Professional Liaison	28	1%
Training and CPD	305	7%
<b>Contingency</b>		
General Contingency	280	6%
<b>Total Assurance Days</b>	<b>4587</b>	<b>100%</b>

In addition to the days allocated for the assurance blocks listed above, the audit plan also includes days for the following:

Audit Area	Days
Total Secondments	506
Total External Contracts	634
	<b>1140</b>



Internal Audit Plan 2013/14 - Detailed Reviews by Type

Internal Audit Plan 2013/14			
		Assurance Block	Directorate
<b><u>External Contracts</u></b>			
School Voluntary Fund Audits	10	External Contracts	Contract Work
Schools External Work	20	External Contracts	Contract Work
Strategic Landlord ALMO/BITMO Assurance Framework	250	External Contracts	Contract Work
West North West Homes Leeds	115	External Contracts	Contract Work
East North East Homes Leeds	70	External Contracts	Contract Work
Aire Valley Homes	83	External Contracts	Contract Work
Leeds and Yorkshire Housing Association	22	External Contracts	Contract Work
Building Hope Charity	3	External Contracts	Strategy and Resources
Interreg - Seniors Network Support Project Grant Claim	6	External Contracts	Contract Work
Belle Isle Tenant Management Organisation	55	External Contracts	Contract Work
<b>Total External Contracts</b>	<b>634</b>		
<b><u>Secondments</u></b>			
Credit Union	30	Secondments	Part Funded
Leeds and Partners	170	Secondments	Part Funded
Business Analysis	306	Secondments	Unfunded
<b>Total Secondments</b>	<b>506</b>		
<b><u>Financial Resource Risks</u></b>			
<b>Spending Money Wisely</b>			
Procedures and Risk Management	5	Spending Money Wisely	Cross- Cutting
Compliance and Monitoring: Review of Expenditure	150	Spending Money Wisely	Cross- Cutting
Communication and Improvement: Ideas Service	95	Spending Money Wisely	Cross - Cutting
Communication and Improvement: Training	20	Spending Money Wisely	Cross - Cutting
Communication and Improvement: Reporting	25	Spending Money Wisely	Cross - Cutting
<b>Spending Money Wisely Projects</b>			
Agency Staff	25	Spending Money Wisely	Strategy and Resources
ICT Benefits Realisation	5	Spending Money Wisely	Strategy and Resources
Use of Council Buildings	65	Spending Money Wisely	Strategy and Resources
Review of Travel	2	Spending Money Wisely	Strategy and Resources
Essential Car User Allowances	30	Spending Money Wisely	Strategy and Resources
Purchasing Card Transactions	3	Spending Money Wisely	Strategy and Resources
Events	25	Spending Money Wisely	Strategy and Resources
Adult Social Care Transport	35	Spending Money Wisely	Adult Social Care
Project and Programme Management	60	Spending Money Wisely	Cross - Cutting
Adult Social Care Meals	30	Spending Money Wisely	Adult Social Care
Utilities	30	Spending Money Wisely	Cross - Cutting
Vehicles/Fuel Usage	30	Spending Money Wisely	Cross - Cutting

**Internal Audit Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013**

Internal Audit Plan 2013/14			
		Assurance Block	Directorate
VAT	15	Spending Money Wisely	Cross - Cutting
Highways Maintenance	20	Spending Money Wisely	City Development
Spending Money Wisely Follow Up Reviews	13	Spending Money Wisely	Cross - Cutting
Spending Money Wisely Projects - Risk Assessment	12	Spending Money Wisely	Cross - Cutting
<b>Total Spending Money Wisely</b>	<b>695</b>		
<b>Anti-Fraud and Corruption</b>			
<u>Reactive Fraud Work</u>			
Fraud Investigations	460	Anti Fraud and Corruption	Contingency
<u>Proactive Fraud Work</u>			
National Fraud Initiative	40	Anti-Fraud and Corruption	Cross- Cutting
Development of Online Training Resource	20	Anti-Fraud and Corruption	Cross- Cutting
Fraud Bulletins	10	Anti-Fraud and Corruption	Cross- Cutting
Intranet Maintenance Anti-Fraud & Corruption	2	Anti-Fraud and Corruption	Strategy and Resources
Fraud Risk Register	2	Anti-Fraud and Corruption	Strategy and Resources
Support for Service Areas	10	Anti-Fraud and Corruption	Cross- Cutting
Fraud Case Intelligence	4	Anti-Fraud and Corruption	Cross- Cutting
Emerging Trends (PPP etc.)	12	Anti-Fraud and Corruption	Cross- Cutting
Specific reviews of existing and emerging risks	40	Anti-Fraud and Corruption	Cross- Cutting
<b>Total Anti-Fraud and Corruption</b>	<b>600</b>		
<b>Financial and Other Key Systems</b>			
Community Care - Payments to Independent Residential Homes	50	Financial and Other Key Systems	Adult Social Care
Payroll	110	Financial and Other Key Systems	Enterprise Leeds/Cross-Cutting
Housing Benefits (Accounting and Subsidy; Assessment and Payments including welfare reform)	100	Financial and Other Key Systems	Customer Services and Community
Housing Benefits Counter Fraud	20	Financial and Other Key Systems	Customer Services and Community
Treasury Management & Bankline	25	Financial and Other Key Systems	Strategy and Resources
Integrity of Accounts	30	Financial and Other Key Systems	Strategy and Resources
Creditors (including duplicate payment central controls and purchasing card central controls)	110	Financial and Other Key Systems	Enterprise Leeds/Cross-Cutting
Capital Programme Controls	20	Financial and Other Key Systems	Strategy and Resources
Council Tax (including localisation)	50	Financial and Other Key Systems	Customer Services and Community
NDR (including localisation)	50	Financial and Other Key Systems	Strategy and Resources
Key Financial Systems: Year-End Reconciliations	45	Financial and Other Key Systems	Strategy and Resources
Housing Rents	25	Financial and Other Key Systems	Environment and Neighbourhoods

**Internal Audit Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013**

<b>Internal Audit Plan 2013/14</b>			
		<b>Assurance Block</b>	<b>Directorate</b>
Bank Reconciliation & Cash Book	25	Financial and Other Key Systems	Strategy and Resources
Financial Management Central Controls	20	Financial and Other Key Systems	Strategy and Resources
Sundry Income	80	Financial and Other Key Systems	Strategy and Resources/Cross-Cutting
Income Management System	25	Financial and Other Key Systems	Strategy and Resources
Strategic Landlord (Housing Partnerships) Central Controls	25	Financial and Other Key Systems	Environment and Neighbourhoods
<b>Total Financial and Other Key Systems</b>	<b>810</b>		
<b>Grants and Other Head of Audit Assurances</b>			
West Yorkshire Integrated Transport Authority (WYITA) - Assurance	2	Grants and Other Head of Audit Assurances	Strategy and Resources
Lord Mayors Charity	10	Grants and Other Head of Audit Assurances	Strategy and Resources
Leeds City Region New Growth Point Programme	3	Grants and Other Head of Audit Assurances	Customer Services and Community
Leeds City Region Core Cities Green Deal	5	Grants and Other Head of Audit Assurances	Customer Services and Community
Leeds City Region Urban Eco Settlements Programme	3	Grants and Other Head of Audit Assurances	Customer Services and Community
DCLG Growth and Housing Market Renewal Transition Fund	3	Grants and Other Head of Audit Assurances	Customer Services and Community
Leeds City Region	6	Grants and Other Head of Audit Assurances	Customer Services and Community
Bus Operators Grant	8	Grants and Other Head of Audit Assurances	Enterprise Leeds
Troubled Families	10	Grants and Other Head of Audit Assurances	Children's Services
SFVS Section 151 Assurance Central Controls	15	Grants and Other Head of Audit Assurances	Strategy and Resources
<b>Total Grants and Other Head of Audit Assurances</b>	<b>65</b>		
<b>Compliance - Financial Resource Risks</b>			
Agency Workers	30	Compliance	Cross - Cutting
Overtime Payments	30	Compliance	Cross - Cutting
Travel and Subsistence	30	Compliance	Cross - Cutting
Direct Payments and Personal Budgets	50	Compliance	Adult Social Care
Transitions Process for Disabled Persons	17	Compliance	Adult Social Care
Sale of Land	10	Compliance	City Development
Asset Verification (Desirable Items)	20	Compliance	Cross - Cutting
Asset Verification (Vehicles, Plant and Machinery)	12	Compliance	Cross - Cutting
Bought in Professional Services (vote 277)	10	Compliance	Cross - Cutting
Other Hired and Contracted Services (vote 265)	10	Compliance	Cross - Cutting
External Consultants	10	Compliance	Cross - Cutting
Bonus Related Pay	8	Compliance	Cross - Cutting
Utility Payments	12	Compliance	Cross - Cutting

**Internal Audit Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013**

<b>Internal Audit Plan 2013/14</b>			
		<b>Assurance Block</b>	<b>Directorate</b>
Rents and Leases	12	Compliance	Cross - Cutting
Unannounced Visits	30	Compliance	Cross - Cutting
Income from Mobile Phones	8	Compliance	Cross - Cutting
Severance Payments	8	Compliance	Cross - Cutting
Compensatory Payments	8	Compliance	Cross - Cutting
Nursery Fees	10	Compliance	Children's Services
Sporting Fees including Bodyline	12	Compliance	City Development
Licences (Registrars)	5	Compliance	Customer Services and Community
Licences (Licensed Premises)	10	Compliance	Legal and Democratic Services
Penalties and Fines - Car Parking	12	Compliance	Environment and Neighbourhoods
Car Parking	8	Compliance	Environment and Neighbourhoods
Advertising	8	Compliance	Cross - Cutting
Sponsorship	8	Compliance	Cross - Cutting
Market Income	10	Compliance	City Development
Equal Pay	8	Compliance	Cross - Cutting
Fees to Carers	8	Compliance	Adult Social Care
Non-recurring grants	12	Compliance	Cross - Cutting
Income from Libraries	8	Compliance	City Development
Framework Contract Compliance	23	Compliance	Cross - Cutting
External Hire of Vehicles, Plant and Machinery	12	Compliance	Cross - Cutting
Compliance Strategy Development	20	Compliance	Cross - Cutting
Compliance Contingency	20	Compliance	Cross - Cutting
<b>Total Compliance - Financial Resource Risks</b>	<b>504</b>		
<b>Procurement, Performance and Improvement</b>			
Procurement Unit Central Controls	12	Procurement, Performance and Improvement	Strategy and Resources
Prevention and Management of Procurement Challenges	13	Procurement, Performance and Improvement	Strategy and Resources
Procurement Price/Quality Reviews	35	Procurement, Performance and Improvement	Cross- Cutting
Procurement Tender Estimates	25	Procurement, Performance and Improvement	Cross- Cutting
Non - Approved Framework Contracts	25	Procurement, Performance and Improvement	Cross- Cutting
Contract Extensions	20	Procurement, Performance and Improvement	Cross- Cutting
Procurement Strategy Development	5	Procurement, Performance and Improvement	Cross- Cutting
Contract Reviews : Changing the Workplace	30	Procurement, Performance and	Cross- Cutting

**Internal Audit Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013**

<b>Internal Audit Plan 2013/14</b>			
		<b>Assurance Block</b>	<b>Directorate</b>
		Improvement	
Contract Review : Middleton Park	25	Procurement, Performance and Improvement	City Development
Contract Review : ICT Learning and Development Contract	25	Procurement, Performance and Improvement	Strategy and Resources
Contract Review : Adult Commissioning	30	Procurement, Performance and Improvement	Adult Social Care
Contract Review: Youth Offer - Targeted Information, Advice and Guidance Service	25	Procurement, Performance and Improvement	Children's Services
Contract Review : Bio Diesel	25	Procurement, Performance and Improvement	Cross- Cutting
Contract Review : Leeds City College - Phase 1	25	Procurement, Performance and Improvement	Children's Services
Contract Review : Passenger Transport	15	Procurement, Performance and Improvement	Strategy and Resources
Contract Review : Urban Traffic Management and Control	15	Procurement, Performance and Improvement	City Development
Contract Review : Becketts Park Building Refurbishment	25	Procurement, Performance and Improvement	City Development
<b>Total Procurement, Performance and Improvement</b>	<b>375</b>		
<b>Risk Based Audits</b>			
Section 278	20	Risk Based Audits	City Development
Section 106	20	Risk Based Audits	City Development
Planning Decisions	20	Risk Based Audits	City Development
Payment for Skills	20	Risk Based Audits	Children's Services
Taxi and Private Hire Licensing	10	Risk Based Audits	Legal and Democratic Services
Waste Management	20	Risk Based Audits	Environment and Neighbourhoods
Placement Payments	20	Risk Based Audits	Children's Services
Pathway Planning	25	Risk Based Audits	Children's Services
Community Right to Buy and Community Asset Transfer	20	Risk Based Audits	City Development
Section 48	10	Risk Based Audits	Adult Social Care
Receivership and Appointee Procedures	10	Risk Based Audits	Adult Social Care
Leaving Care Grant	20	Risk Based Audits	Children's Services
Fleet Management	25	Risk Based Audits	Strategy and Resources
Other Fees for Carers and Placements	10	Risk Based Audits	Children's Services
Registrars	15	Risk Based Audits	Legal and Democratic Services

**Internal Audit Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013**

Internal Audit Plan 2013/14			
		Assurance Block	Directorate
Pooled Budgets	20	Risk Based Audits	Cross - Cutting
Grants to Voluntary Organisations	20	Risk Based Audits	Cross - Cutting
Risk Based Audits - New and emerging risks	40	Risk Based Audits	Cross - Cutting
<b>Total Risk Based Audits - Financial Resource Risks</b>	<b>345</b>		
<b>ICT</b>			
Key Financial Systems - General Computer Controls	20	ICT	Strategy and Resources
Data Analytics - Duplicate Payments	100	ICT	Strategy and Resources
Data Analytics	230	ICT	Cross - Cutting
<b>Total ICT - Financial Resource Risks</b>	<b>350</b>		
<b>Strategic Risks</b>			
<b>Compliance</b>			
Managing Attendance	30	Compliance	Cross - Cutting
Key Performance Indicators	15	Compliance	Cross - Cutting
Decision Making	20	Compliance	Cross - Cutting
Declaration of Interests	12	Compliance	Cross - Cutting
Special Leave	12	Compliance	Cross - Cutting
Safeguarding - Disclosure and Barring Service/Pre-Employment Checks	8	Compliance	Cross - Cutting
	<b>97</b>		
<b>Policies and Procedures</b>			
Financial Procedure Rules	2	Policies and Procedures	Strategy and Resources
Annual Governance Statement	2	Policies and Procedures	Legal and Democratic Services
Contracts Procedure Rules	2	Policies and Procedures	Strategy and Resources
Anti Fraud and Corruption Policy	2	Policies and Procedures	Strategy and Resources
Whistleblowing Policy	2	Policies and Procedures	Strategy and Resources
Raising Concerns Policy	2	Policies and Procedures	Strategy and Resources
Anti Money Laundering Policy	2	Policies and Procedures	Strategy and Resources
Anti Bribery and Corruption Policy	2	Policies and Procedures	Strategy and Resources
Spending Money Wisely Policy	22	Policies and Procedures	Strategy and Resources
<b>Total Policies and Procedures</b>	<b>38</b>		
<b>Risk Based Audits</b>			
Joint Working with Health	30	Risk Based Audits	Adult Social Care
Care Decisions	25	Risk Based Audits	Children's Services
<b>Total Risk Based Audits - Strategic Risks</b>	<b>55</b>		
<b>ICT</b>			
Major ICT Failure	20	ICT	Strategy and Resources
ICT Strategy	20	ICT	Strategy and Resources
<b>Total ICT - Strategic Risks</b>	<b>40</b>		

**Internal Audit Report 1<sup>st</sup> April to 30<sup>th</sup> June 2013**

Internal Audit Plan 2013/14			
		Assurance Block	Directorate
<b><u>Continuing Development</u></b>			
West Yorkshire Fraud Group	3	Professional Liaison	Continuing Development
CIPFA Contract Audit Sub Group	5	Professional Liaison	Continuing Development
Core Cities	10	Professional Liaison	Continuing Development
West Yorkshire Audit Group	5	Professional Liaison	Continuing Development
CIPFA National Working Groups	5	Professional Liaison	Continuing Development
Continuing Professional Development (CPD)	115	Training and CPD	Continuing Development
Training and Development	190	Training and CPD	Continuing Development
<b>Total Continuing Development</b>	<b>333</b>		
<b><u>Contingency</u></b>			
General Contingency	280	Contingency	Contingency
<b>Total General Contingency</b>	<b>280</b>		
<b>Audit Plan 2013/14 Total Days</b>	<b>5727</b>		

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**Report of City Solicitor**

**Report to Corporate Governance and Audit Committee**

**Date: 10<sup>th</sup> July 2013**

**Subject: Work Programme**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**1 Purpose of this report**

1.1 The Purpose of this report is to notify Members of the Committee of the draft work programme. The draft work programme is attached at Appendix 1

**2 Background information**

2.1 The work programme provides information about the future items for the Corporate Governance and Audit Committee agenda, when items will be presented and which officer will be responsible for the item.

**3 Main issues**

3.1 Members are requested to consider whether they wish to add any items to the work programme

3.2 The draft work programme is attached at Appendix 1

**4 Corporate Considerations**

**4.1 Consultation and Engagement**

4.1.1 This report consults seeks Members views on the content of the work programme of the Committee, so that it might meet the responsibilities set out in the committee's terms of reference.

## **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 There are no equality and diversity or cohesion and integration issues arising from this report.

## **4.3 Council Policies and City Priorities**

4.3.1 The work programme provides a balanced number of reports and assurances upon which the committee can assess the adequacy of the council's corporate governance arrangements.

## **4.4 Resources and Value for Money**

4.4.1 It is in the best interests of the Council to have sound control arrangements in place to ensure effective use of resources, these should be regularly reviewed and monitored as such the work programme directly contributes to this.

## **4.5 Legal Implications, Access to Information and Call In**

4.5.1 This report is not an executive function and is not subject to call in.

## **4.6 Risk Management**

4.6.1 By the Committee being assured that effective controls are in place throughout the Council the work programme promotes the management of risk at the Council.

4.6.2 The work programme adopts a risk based approach to the significant governance arrangements of the Council.

## **5 Conclusions**

5.1 The work programme of the Committee should be reviewed regularly and be updated appropriately in line with the risks currently facing the Council.

## **6 Recommendations**

6.1 Members are asked to consider and approve the work programme set out at appendix 1.

**CORPORATE GOVERNANCE AND AUDIT COMMITTEE  
WORK PROGRAMME**

<b>20<sup>th</sup> September 2013</b>		
KPMG – Report to Those Charged With Governance	To receive a report giving the opinion on the financial statements, value for money conclusion and audit certificate.	Chief Officer (Financial Management) Doug Meeson
Approval of LCC Accounts	To receive a report requesting approval of the LCC Accounts	Chief Officer (Financial Management) Doug Meeson
Annual Governance Statement	To receive and approve the Annual Governance Statement	Head of Governance Services Andy Hodson
Internal Audit Quarterly Report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Investment) Tim Pouncey
Local Government Ombudsman's Annual Letter	To receive the annual letter from the Local Government Ombudsman	Chief Officer Customer Services Paul Broughton
Annual Decision Making Report (Including Licensing / Planning)	To receive a report presenting the outcome of the monitoring process relating to decisions taken at the Council	Head of Governance Services Andy Hodson
Annual Financial Management Report (Incorporating Capital)	To receive the annual report reviewing the Financial Planning and Management Arrangements at the Council	Chief Officer (Financial Management) Doug Meeson

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Annual Health & Safety Report	To receive the Annual Health & Safety Report	Lorraine Hallam (Chief Officer HR) / Chris Ingham
<b>8<sup>th</sup> November 2013</b>		
Calderdale Shared Service Agreement	To receive a report updating the Committee on the latest position with regards to the establishment of a Social Care System in partnership with Calderdale MBC	Steve Hume Chief Officer (Resources and Strategy)
Business Continuity Planning	provide an update on the progress made in completing the outstanding Business Continuity Plans	Chief Officer (Audit and Investment) Tim Pouncey
Clinical Governance Assurance	To receive a report of the Director of Public Health to highlighting the risk to the service and the plans to mitigate against these.	Dr Ian Cameron
Transfer of Assets	To receive a report looking at the wider issues relating to transfer	Chief Officer (Assets Review) Paul Broughton
<b>January 21<sup>th</sup> 2014</b>		
KPMG – Annual Audit Letter – including opinion	To receive a report certifying grants and returns and to consider the Audit Fee letter.	Chief Officer (Financial Management) Doug Meeson
KPMG – Certification of Grant Claims and Returns	To receive a report certifying grants and returns and to consider the Audit Fee letter.	Chief Officer (Financial Management) Doug Meeson
KPMG – Approval of External Audit Plan	To receive a report requesting approval of the external audit plan	Chief Officer (Financial Management) Doug Meeson

## CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Internal Audit Quarterly Report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Investment) Tim Pouncey
Treasury Management Annual Report	To receive the annually Treasury Management Report providing assurance on the processes used by the department	Chief Officer (Financial Development) Maureen Taylor
<b>9<sup>th</sup> April 2014</b>		
Internal Audit Plan	To receive a report informing the Committee of the Internal Audit Plan for 2013/14	Chief Officer (Audit and Investment) Tim Pouncey
Internal Audit Quarterly Report	To receive the Internal Audit quarterly report	Chief Officer (Audit and Investment) Tim Pouncey
Information Security Annual Report	To receive a report on the Council's Information Security arrangements.	Chief Officer (Business Transformation) Lee Hemsworth
Annual Business Continuity Report	To receive the annual report reviewing the Councils Business Continuity planning.	Chief Officer (Audit and Investment) Tim Pouncey
Annual Report of the Committee	To receive the Annual report of the Committee reviewing the work completed over the last year	Head of Governance Services Andy Hodson
<b>Unscheduled Items</b>		

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