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Interim Audit Report 2010/11

Leeds City Council

June 2011

Contents

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This document summarises the key findings arising from our work to date in relation to both the audit of the Authority's 2010/11 financial statements and the 2010/11 VFM conclusion.

Scope of this report

This report summarises the key findings arising from:

■ our interim audit work at Leeds City Council (the Authority) in relation to the 2010/11 financial statements; and

■ our work to support our 2010/11 value for money (VFM) conclusion up to April 2011.

Financial statements

Our *Financial Statements Audit Plan 2010/11*, presented to you in March 2011, set out the four stages of our financial statements audit process.

| Planning | Control Evaluation | Substantive Procedures | Completion |

During January to April 2011 we completed our planning and control evaluation work. This covered our:

■ review of the Authority's general control environment, including the Authority's IT systems;

■ testing of certain controls over the Authority's key financial systems with the help of internal audit;

■ assessment of the internal audit function;

■ review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas we have identified for this year; and

■ review of the Authority's work to restate the 2009/10 financial statements under International Financial Reporting Standards (IFRS).

VFM conclusion

Our VFM Audit Plan 2010/11 presented in April 2011 described the new VFM audit approach introduced this year by the Audit Commission and highlighted the key changes compared to the previous Use of Resources auditor's scored judgements regime. It also set out our revised risk assessment for our VFM conclusion.

We have completed some early work to support our 2010/11 VFM conclusion. This included:

■ undertaking a preliminary VFM audit risk assessment; and

■ initial work to assess the Authority's financial resilience following the funding settlement for 2011-13.

Structure of this report

This report is structured as follows:

■ Section two summarises the headline messages.

■ Section three sets out our key findings from our interim audit work in relation to the 2010/11 financial statements.

■ Section four outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendices one and three. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendices two and four.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

Organisational and IT control environment	Your organisational and IT control environments are effective overall.
	We have reviewed the prior year issues regarding network access and are satisfied that these have been either substantially addressed or deemed to be so low risk by officers that they propose taking no further action to mitigate against these issues.
	Some weakness does still remain regarding access rights being revoked in a timely manner when a member of staff leaves the Authority and this is detailed in appendix three.
Controls over key financial systems	The Authority has generally sound controls over its key financial systems.
	In payroll, however, internal audit have identified control weaknesses in respect of overtime payments which have previously been reported. These weaknesses relate to the fact that ten overtime payments tested by internal audit had not been appropriately authorised for payment. Internal Audit have undertaken further testing on this to ascertain if this was a wider issue for the Authority and if these payments were correct despite the controls operating ineffectively. The result of this testing found that the 10 instances mentioned above had been paid correctly. Further testing of an additional 25 instances found 1/25 where an overpayment was identified, this is now being reclaimed.
	We have also found that on one Housing Benefits Overpayment Reconciliation there was evidence of inadequate review of the detail of the reconciliation. On the reconciliation reviewed one of the figures did not agree to the underlying system report. This was deemed to be an isolated incident and due to human error.
	More detail on these issues can be found in appendix one.
	We have yet to finalise all of our controls work regarding fixed assets, financial reporting and expenditure due to a number of controls operating only at year end.
Review of internal audit	We were able to place full reliance on Internal Audit's work on the key financial systems and are satisfied that they are compliant with the *Code of Practice for Internal Audit in Local Government*.
Accounts production and specific risk areas	The Authority has met key closedown milestones although there is additional work required to restate the accounts under IFRS. We have noted the following in respect of specific risk areas: **Financial Standing** - We have completed our initial work to assess the Authority's financial resilience following the funding settlement for 2011-2013.
	Valuation of Assets – We will follow these issues up at our final visit as per our original timetable.
	IFRS Restatement - The Authority has made considerable progress in the restatement of its 2009/10 financial statements under IFRS. The main outstanding area concerns accounting for leases.

This table summarises the headline messages. The remainder of this report provides further details on each area.

Financial resilience	Our financial resilience work undertaken during our interim visit found that the Authority was on target to deliver its planned 2010/11 savings in overall terms. However, this is against the backdrop of significant overspends in a number of directorates including Adult's and Children's services due to specific overspends in externally provided residential care and fostering budgets and the total number of placements within Community Care packages exceeding budget . Additionally there are a number of other services within these directorates which have not achieved savings at the levels expected in the budget.
	Overall however the Authority is forecasting to under-spend against budget following the use of capital receipts to reduce PFI liabilities and other central savings, including the use of reserves which it assessed were no longer required.
	The Authority believes that they are well placed to deliver the 2011/12 budget. However, the enormity of the financial management challenges cannot be underestimated particularly given demand pressures experienced in Adults and Children's and the fact that some political decisions still need to be made with regards to closing a number of service facilities in Leeds. We are satisfied the Authority understands this and has responded appropriately to the risks contained in its savings plans for 2011/12.

This table summarises the headline messages. The remainder of this report provides further details on each area.

IFRS restatement	The Authority provided us with working papers covering the majority of the areas of the expected restatement work.
	Based on our initial review, accounting policies are in line with the *Code of Practice for Local Authority Accounting in the United Kingdom 2010/11* ('the Code') for the major areas reviewed:
	• **Employee benefits –** The Authority has performed a 10% sample of all non-teaching employees for 2008/09 and 2009/10 as a basis for calculating the holiday pay accrual, response rates were 79% and 73% respectively. The sample was representative of the population and therefore we concluded that the sample was an effective basis to calculate the total accrual. The teachers accrual has been calculated using the CIPFA pro-forma in line with CIPFA guidance.
	• **Group accounting** – An assessment of group boundaries was undertaken by the Authority in line with the requirements of IFRS. This was found to be effective.
	• **Non-current assets –** The main changes to non-current assets are in relation to investment properties and held for sale assets. We are satisfied that the Authority has undertaken a rigorous process of assessing their assets in line with the new conditions.
	• **Capital grants** – Capital grants now need to be recognised immediately unless any conditions have not been met. The Authority has assessed all capital grants in line with the new requirements. This was found to be effective.
	Outstanding items
	The following items are outstanding and are expected to be received during the final visit.
	• Leases – This is a key area of the IFRS restatement. The Authority is well underway with the review and we are confident that the Authority is undertaking a rigorous approach to lease assessments and therefore, as long the finance team ensure there is sufficient resource to complete the review, no significant issues are anticipated.
	• Full set of IFRS compliant financial statements and notes - Work has been completed on the balances that require restating but we will need to audit the full set of IFRS compliant statements once completed.
	• Group accounting – The Authority has reassessed the group boundary in line with IFRS but still need to complete an assessment of the accounting policies of entities within the group boundary to assess if there are any material adjustments required to ensure compliance with IFRS requirements.
	• Fixed asset register - The adjustments required for assets in line with IFRS have been calculated however these now need updating on the fixed asset register.

Organisational and IT control environment

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

In previous years we used our work on the Use of Resources assessment to inform our findings in these areas. Due to the reduced scope of the VFM assessment we have to complete more specific work to support our financial statements opinion.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Authority relies on Information Technology (IT) to support both financial reporting and internal control processes. In order to rely on the use of IT, we obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

The controls we review include those over access to systems and data, system changes, system development and computer operations.

Key findings

We found your IT control environment is effective overall and has been further strengthened in year. We noted two areas for further improvement.

We have raised two low priority recommendations in relation to the IT controls at the Authority. These should help address the issues noted in relation to management of access to the Authority's key IT systems relevant for the external audit.

Recommendations are included in Appendix 1

Aspect	Assessment
Organisational structure	● (green)
Philosophy and operating style	● (green)
Participation of those charged with governance	● (green)
Human resource policies and practices	● (green)
Risk assessment process	● (green)
Financial reporting information systems	● (green)
Communication & Monitoring	● (green)
Access to systems and data (IT)	● (amber)
System changes and maintenance (IT)	● (green)
Development of new systems and applications (IT)	● (green)
Computer operations, incl. processing and backup (IT)	● (green)
End-user computing (IT)	● (green)

Key:		
	● (red)	Significant gaps in the control environment.
	● (amber)	Minor deficiencies in respect of individual controls.
	● (green)	Generally sound control environment.

Controls over key financial systems

The controls over the key financial system are generally sound.

However, there are some weaknesses in respect of Payroll and Benefits Expenditure.

We may need to complete additional substantive work in these areas at year-end, subject to outcome of the work that Internal Audit is undertaking.

Work completed

We work with your internal auditors to update our understanding of the Authority's key financial processes where these are relevant to our final accounts audit. We confirm our understanding by completing walkthroughs for these systems.

We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a key system will not always be in line with the internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

The controls over the majority of the key financial system are generally sound but we noted some weaknesses in respect of individual financial systems, these were:

- Weakness 1: Overtime Payment Authorisation;

- Weakness 2: Housing Benefits Overpayment Reconciliation – Council Tenants (HRA).

Internal audit have reported on weakness 1 and included recommendations in their report as appropriate.

Our recommendations and further details are included in Appendix 1.

We have yet to finalise all of our controls work regarding fixed assets, financial reporting and expenditure as a number of these controls operate only at year end.

System	Assessment
Financial reporting	● (green)
Grant income	● (green)
Housing rents income	● (green)
Council tax income	● (green)
Business rates income	● (green)
Sundry income	● (green)
Payroll expenditure	● (amber)
Non-pay expenditure	● (green)
Benefits expenditure	● (green)
Cash	● (green)
Treasury management	● (green)
Capital expenditure	● (green)
Asset disposals	● (green)
Asset valuations	● (green)

Key: ● (red)   Significant gaps in the control environment.

        ● (amber)   Minor deficiencies in respect of individual controls.

        ● (green)   Generally sound control environment.

Internal audit complies with the *Code of Practice for Internal Audit in Local Government*.

We encountered one issue in respect of a Benefits expenditure reconciliation which had not been fully re-performed. When we re-performed the reconciliation we found that the figures contained within it had not been updated correctly.

Work completed

We work with your Internal Auditors to assess the control framework for key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on Internal Audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the Internal Audit function and to evaluate and test aspects of their work.

We reviewed Internal Audit's work on the key financial systems and re-performed a sample of tests completed by them.

We have held regular meetings with Internal Audit throughout the year to ensure that we are made aware of any issues as they arise so that where relevant they can be incorporated into our audit planning.

Key findings

We have reviewed Internal Audit's work and are satisfied that they are compliant with the *Code of Practice for Internal Audit in Local Government* .

This is based on a previous self assessment completed by Internal Audit, our assessment of their files and our knowledge from continual liaison with the Head of Internal Audit, review of documents and attendance at Audit Committee.

Internal Audit have covered all areas included in our joint working protocol to a good standard, and we are again able to place full reliance on that work.

Aspect	Assessment
Scope of internal audit	● (green)
Independence	● (green)
Ethics for internal auditors	● (green)
Audit Committee	● (green)
Staffing, training and development	● (green)
Audit strategy and planning	● (green)
Undertaking audit work	● (green)
Audit strategy and planning	● (green)
Due professional care	● (green)
Reporting	● (green)

Key:	● (red)	Non-compliance with the standard.
	● (amber)	Minor deficiencies.
	● (green)	Full compliance with the standard.

The Authority's overall process for the preparation of the financial statements is adequate.

The recommendations raised in our 2009-10 reports are not yet due for implementation as they relate to year end controls

Work completed

We issued our Accounts Audit Protocol on 14 April 2011.

This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work.

We continue to meet with officers on a regular basis to support them during the financial year end closedown and accounts preparation.

As part of our interim work we specifically reviewed the Authority's progress in addressing the recommendations in our *ISA 260 Report 2009/10*.

Key findings

We consider that the overall process for the preparation of the financial statements is adequate.

Key closedown milestones have been met although there is additional work required around the IFRS restatement, these are stated in more detail on page 10 & 11.

The implementation of recommendations is on schedule and relate to the year end process, therefore we cannot comment on progress at this time but will update the committee as part of the 2010-11 ISA 260 report.

Issue	Progress
Fixed Asset Disposals Our review of Fixed Asset revaluations found there were six properties which were revalued in the year which were included on the fixed asset register which should not have been. Of these, five of the properties had been disposed of in prior years and one asset had been duplicated on the fixed asset register. The value of these properties was £3.2m, this had already been adjusted by the authority in the accounts approved by Committee. We recommend that the Authority reviews all items within the Fixed Asset register which have not been revalued recently to ensure that these assets are still owned by the Authority. This indication of control weakness is considered serious but mitigated as the Authority were aware of this prior to our audit.	Not yet due. Officers expect to implement this during the close-down process. This is consistent with our understanding and we will report our finding in the ISA 260 report.
Fixed Asset Valuations During our work we identified three assets which had been revalued during the year, however these revaluations (upwards) had not been reflected in the fixed asset register. (The Council's) further review found two more assets where the same situation occurred. This has resulted an increase to the Fixed Asset balance in the accounts of £1.942m. The Authority should ensure that all fixed asset valuations are updated to the Fixed Asset Register each year.	Not yet due. Officers expect to implement this during the close-down process. This is consistent with our understanding and we will report our finding in the ISA 260 report.

The Authority has made considerable progress in the restatement of its 2009/10 financial statements under IFRS.

The main outstanding area is leases. There are other areas which also require further work. These relate to the group accounts, the fixed asset register and the production of a full set of IFRS compliant financial statements,

We have reviewed the restatement work and are satisfied that the key changes we have reviewed have been appropriately identified and addressed.

Work completed

From 2010/11 local authorities are required to prepare their financial statements under the IFRS based *Code of Practice for Local Authority Accounting in the United Kingdom*. This contains a number of significant differences compared to the previous financial reporting regime.

We have reviewed the work the Authority has undertaken to restate its 2009/10 financial statements under IFRS and its preparations for producing 2010/11 balances in its accounts under IFRS.

Key findings

The Authority has made considerable progress in restating its 2009/10 financial statements under International Financial Reporting Standards (IFRS).

We have received working papers regarding material areas identified in our initial IFRS impact assessment. The working papers provided were of good quality and easy to follow.

We have focused our work on high risk areas as noted in our audit plan and specifically reviewed the processes and controls in place to ensure completeness and accuracy of the restatement work.

Based on our initial review, the Authority's accounting policies are in line with the Code. We did not identify any specific issues with the restatement work. The finance team were proactive in agreeing the approach to various balances with the audit team and this has prevented problems occurring.

Outstanding Work

Work is still outstanding in the following areas:

• **Leases** – The Authority has thousands of leases and therefore the process of reviewing these in line with IFRS requirements is an extensive piece of work. The Authority is well underway with the review however, in line with the timetable agreed, the completed figures will not be ready until the final audit visit. Through discussions with officers we are confident that the Authority is undertaking a rigorous approach in regards to identifying and assessing leases and therefore no significant issues are anticipated as long the finance team ensure there is sufficient resource to complete the review.

• **Update of Fixed Asset Register –** The adjustments required for assets in line with IFRS have been calculated, however these now need updating on the fixed asset register. We will review the fixed asset register to general ledger reconciliation at the final audit visit.

• **Group accounting –** A reassessment of group boundaries has been undertaken in line with the requirements of IFRS. The Authority will undertake a further assessment of accounting policies for those entities within the group boundaries to assess if there are any material adjustments required. At this stage it is not thought that there will be any material adjustments required for group financial statements.

• **Full set of IFRS compliant financial statements and notes** – Work has been completed on the balances that require restating in line with IFRS and we have audited the appropriate adjustments. This work needs to be brought together in a full set of IFRS compliant financial statements and notes. This will be completed as part of 2010/11 closedown procedures.

• **Component Accounting – ** This is an area of the IFRS restatement that is implemented from 2010/11 and therefore no restatement is required. The Authority are currently working on componentisation and this will be audited as part of the final visit as originally planned.

Impact of IFRS adjustments

The following adjustments have had a significant impact:

• **IAS 20 Government Grants – ** Under the SoRP, there was a Government Grants Deferred account which represented income that had been used to fund capital expenditure. The balance in this account was released to the Income and Expenditure account over the useful economic life of the asset.

Under the new Code (in line with IFRS) grants and contributions must be recognised immediately unless there are any conditions that have not been met. This means there is no longer a government grants deferred account. This has resulted in an adjustment decreasing the government grant deferred balance (within creditors) from £427m to zero and transferring this to Capital Adjustment Account (within reserves).

Furthermore, all capital grants classified as 'capital grants received in advance' in 2008/09 (£73m) and 2009/10 (£86m) financial statements need to be reassessed.

Where the grant has no conditions attached but the expenditure has not yet been incurred this now needs to be classified under a new usable reserve 'Capital Grants Unapplied'.

Specific risk areas

The Authority has taken the key risk areas we identified seriously and made good progress in addressing them.

However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

Work completed

In our *Financial Statements Audit Plan 2010/11*, presented to you on 21 March 2011 we identified the key risks affecting the Authority's 2010/11 financial statements.

Our audit strategy and plan remain flexible as risks and issues change throughout the year. To date there have been no changes to the risks previously communicated to you

We have been discussing these risks with officers as part of our regular meetings. In addition, we sought to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Key findings

The Authority has a clear understanding of the risks we have raised in our *Financial Statements Audit Plan 2010/11* and is making progress addressing them. However, significant challenges still exist and require careful management and focus. We will revisit these areas during our final accounts audit.

The table below provides a summary of the work the Authority has completed to date to address these risks

Key audit risk	Issue	Progress
Financial standing / MTFP	**Financial standing / medium term financial planning** Following the Government's spending review the Authority announced that it was required to make £90 million savings in the financial year to address the twin constraints of reduced funding and increasing demographic and demand pressures. The final settlement has since confirmed the figure to be accurate. In order to deliver the required savings, the Authority will be undertaking some significant change programmes across all services.	We report early findings in section four of this report.

The Authority has taken the key risk areas we identified seriously and made good progress in addressing them.

However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

Key audit risk	Issue	Progress
Valuation of Council Assets	**Valuation of Council Assets** Valuation of Council Assets is considered to be a key audit risk for the following reasons: During 2009/10 audit we found a small number of errors relating to fixed asset valuations. There is a change in the valuation process during 2010/11 as the Authority are changing the number of Valuers from five to one, bringing all valuations in house. There are added complications in the valuation of Authority assets during 2010/11 due to componentisation as a result of the transition to IFRS.	We have reviewed the processes by which the internal valuer's have conducted their work and documented our assessment of the competence, independence and objectivity of the internal valuation service . The remainder of our work will be undertaken at year end and reported to you in the ISA 260. This will include: ● A review of valuations obtained by the Authority from the in-house team to ensure that asset values have been correctly recorded in asset registers and the financial statements. ● An assessment of valuation assumptions for appropriateness. ● A review of the Authority's processes for identifying assets which may require impairment and consider whether these impairments have been accounted for correctly within the financial statements.
IFRS conversion process	**IFRS conversion process** The Authority will require a lot of planning and resources to ensure a smooth and successful transition to IFRS. The Authority have an IFRS Work Plan in place with lead officers being allocated responsibility for individual work areas. The finance team have involved us at an early stage in the conversion process and are keeping us up to date with progress against the Work Plan as well as seeking clarification on specific issues.	We have reported early findings on page nine and ten of this report. We have audited the re-stated 2009/10 financial statement figures, where available. During this time we have assessed the processes being undertaken by the Authority and provided advice on this to ensure the final year figures are compliant with the standards. We have kept in regular contact with the finance team during this period, discussing emerging issues and current guidelines.

New VFM audit approach

Background

For 2010/11, auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

■ securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and

■ challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

There are no scored judgements under the new approach and the VFM conclusion is the only output. This remains a 'pass / fail' style assessment.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit. We then assess if more detailed audit work is required in specific areas. The Audit Commission has developed a range of audit tools and review guides which we can draw upon where relevant.

Overview of the new VFM audit approach

The key elements of the VFM audit approach are summarised below in the diagram below:

We have completed our initial work to assess the Authority's financial resilience following the funding settlement for 2011-2013.

Whereas there has been some slippage within individual directorates, the Authority has delivered its planned 2010/11 savings in overall terms, and has underspent against budget.

To achieve this, the Authority has had to rely on some central financial measures and short term actions. Mostly these relate to interest savings, capitalisation of redundancy costs and changes to the PFI accounting treatment.

Work completed

We have reviewed the Authority's Budget Strategy 2011/12 and its Medium Term Financial Plan 2011-15, as well as the process followed to arrive at these.

We have specifically assessed:

■ the actions used by the Authority to secure the necessary savings in its 2011/12 draft budget; and

■ the capacity of the Authority's 2011/12 budget to secure financial stability.

This early work was specifically completed to support an Audit Commission study on the impact of the 2011/12 local government settlement on authorities' finances. It is also a key part of our work programme on the financial resilience criterion of the VFM conclusion.

As part of our work we have compared the Authority to the other 'Core Cities' which are Newcastle, Bristol, Manchester, Liverpool, Nottingham, Birmingham and Sheffield.
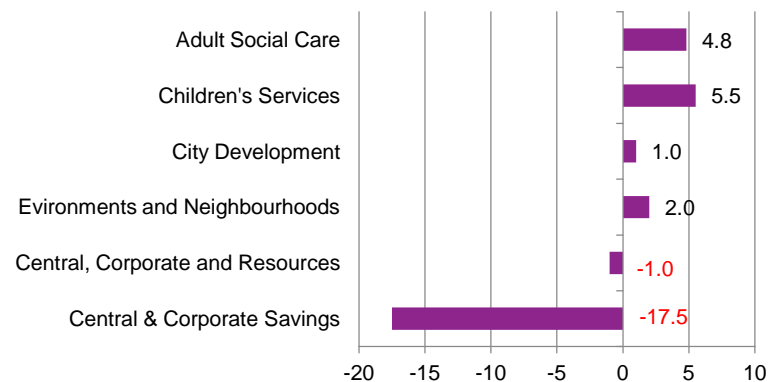
We will complete further work on the Authority's financial resilience during the coming months before we issue our VFM conclusion.

2010/11 financial performance

In its Quarterly Financial Report as at the end of February 2011, the Authority highlighted a total forecast underspend of £5.2 million against budget.

There are significant overspends in Children's Services and Adult Services with specific overspends in externally provided residential care, fostering budgets and Community Care packages. In addition to this, a number of other services within these directorates have not achieved savings at the levels expected in the budget.

Forecast outturn against 2010/11 budget as at February 2011 by directorate (£m)

Directorate	£m
Adult Social Care	4.8
Children's Services	5.5
City Development	1.0
Evironments and Neighbourhoods	2.0
Central, Corporate and Resources	-1.0
Central & Corporate Savings	-17.5

Source: Quarterly Financial Report to Executive Board, 11 February 2011

A number of savings have been made centrally to offset this.

The most significant of these relates to the funding of PFI arrangements. Recent changes to accounting rules regarding treatment of PFI schemes mean they can now be recognised as capital spend and can be funded from capital receipts. This has resulted in an improved position compared to budget of £8.4million.

Other savings made were interest savings of £3.4million, £3.2million through capitalisation of staff costs relating to the Early Leavers Initiative, £2million through use of contingency funds and £3.2million through the use of reserves.

The Authority had been preparing for funding cuts prior to the announcement.

We are satisfied that the leadership team understands the financial management challenges facing the Authority. It is responding to this through increased monitoring and

The Authority believes that they are well placed to deliver the 2011/12 budget budget. However, the enormity of the challenge ahead cannot be underestimated.

We have not audited the numbers in the Authority's savings plans.

Preparation for the Local Government Finance Settlement

The Authority has a financial planning process which involves Members and Officers across all services. The Authority has used an iterative and incremental approach to the budget process whereby a level of savings has been identified centrally as a result of known issues. These have then been apportioned to directorates for them to meet alongside some general (set) expectations in terms of employee, premises and supplies expenditure reductions.

The Authority recognised the potential impact of the financial crisis and the subsequent impact on government spending policies in February 2010 when it set the 2010-11 budget, however the decision was not taken at this stage to implement any significant changes until the position was clearer.

A report was put before the Executive Board in November 2010 which assessed the possible impact of the Comprehensive Spending Review on the Authority in future years. In December 2010 this was adjusted in the light of further information to show a 10.6% reduction.

The impact of this review was to identify that a £89.8m of savings would be required for 11/12 (made up of a10.6% reduction in funding of 51.1m and increased costs of 38.7m). As such the savings figure is considerably higher than the net reduction in funding.

The final budget was agreed by Executive board in February 2011.

The 2011/12 budget set in February 2011 included*

■ **service improvements/ increased spending and other commitments of £38.7million** – mainly targeted at Children's Services (£11.2 million) and Adult Services (£16.3 million) in line with increasing demand and service priorities. Plus debt costs (£10m) and inflation/other costs of £1.2m;

■ **Loss of funding £51.1m**– made up of a loss of £61.9m of formula/specific grant and income from the new Council Tax and New Homes Bonus of £6.6mand £4.2m respectively

■ **efficiencies, disinvestments & income generation of £89.8 million**.

*(figures taken from 11 February 2011 budget report):

Gross savings plans 2011/12 as a percentage of revenue spending power 2010/11 – comparison with Core Cities
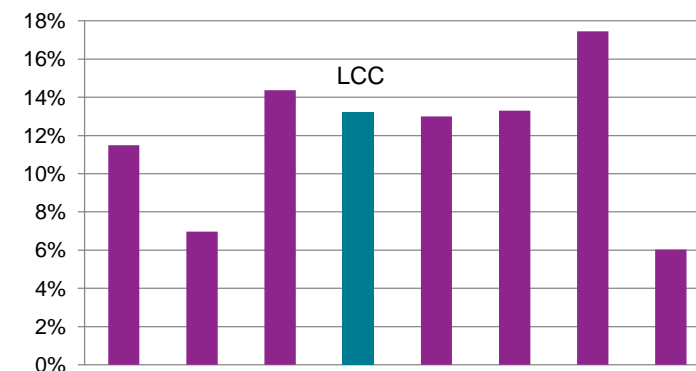
Source: LG Finance Settlement data, authority budgets 2011/12

As well as formula grant, 'revenue spending power' includes council tax and other Government revenue grants, including the new NHS funding for social care.

The Authority recognises that its savings plans for 2011/12 are a significant challenge. It is responding to this through improved monitoring processes.

Reserve levels are currently lower than those of other authorities. However the Authority is planning to increase these reserves as at March 2011 due to the delivered under spend.

The Authority's total planned savings for 2011/12 equate to 13.2 percent of its revenue spending power for 2010/11. This is around the mid point of the other Core Cities who have been similarly hard hit by the Comprehensive Spending Review in comparison with other Authorities.

Directorates have been responsible for identifying savings. A number of mandated savings were identified centrally (e.g. staff costs, printing costs etc). Directorates did not initially identify a sufficient amount of savings and as such went through further rounds of review. The Authority have now implemented monthly monitoring of the budget by executive board and are also in the process of developing and implementing a Key Performance Indicator 'dashboard' to identify activity levels which provide an early indication of future financial pressure (e.g. number of children's placements/referrals).

Usable Reserves

As at 31 March 2010 the Authority had a General Fund Balance of £16.1 million, which equates to 2.4 percent of its 2011/12 revenue spending power. The mean across the core cities is only marginally higher at 2.7 percent. However, Leeds does have the one of the smallest level of total reserves as a percentage of revenue expenditure of all Local Authorities.

Total usable reserves (including earmarked reserves, but excluding school based reserves) stood at £29 million as at 31 March 2010. These included reserves earmarked for future costs of £7million (under Single Status) and PFI reserves of £6 million.

The Authority is forecasting that over the period to 31 March 2012 the General Fund Balance will increase to £19million.

The Authority has a risk based reserves policy and has assessed that a General Fund Balance of between £16 million and £19 million is prudent and reflects the risks the Authority faces.

Useable Reserves as at 31 March 2010 as a percentage of Revenue Spending Power 2011/12 – comparison with Core Cities
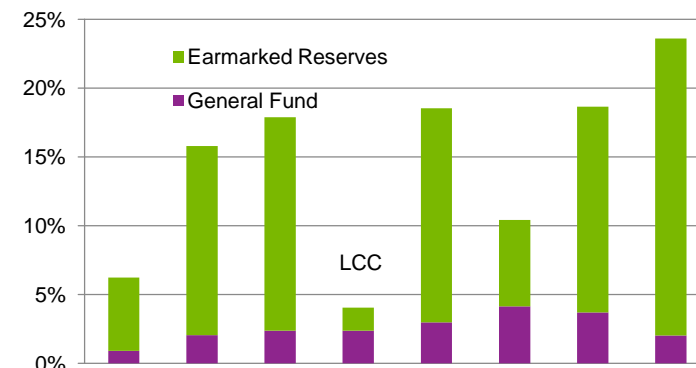
Source: Ratio tool - Audit Commission website, LG Finance Settlement data

General fund balances and reserves 2007 to 2010/11(£m)
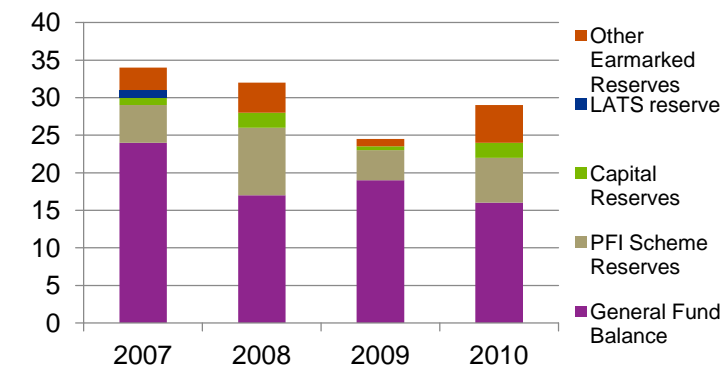
Source: Statements of Accounts, MTFP 2011-15

Specific VFM risks

We have considered the specific VFM risks we first set out in our VFM approach report.

We have not identified any further risks and provide an update on our progress to date in forming our assessment.

Work completed

Our *VFM approach report* presented to you on 18 April 2011 included our initial assessment of the risks impacting on our VFM conclusion. For each risk, we consider the arrangements put in place by the Authority to mitigate the risk and the impact of the Authority's arrangements on individual KLoEs.

We have re-considered all risk areas as part of our planning work and consider that all if these are still relevant to our VFM conclusion under the new approach.

Key findings

The financial resilience section of this report covers our preliminary assessment of the 'managing with less' risk and below we set out our proposed actions in respect of the other two risks. We will report our final conclusions in our *ISA 260 Report 2010/11*.

Key VFM risk	Focus of work	Actions to take
Early Leavers Initiative	Following the recent budget cuts, the Authority by the end of 2011/12 will have lost over 1,500 jobs compared to the position at the start of the 2010/11 financial year. We will consider how the Authority has ensured that its decisions on cost reductions and service cuts reflect local priorities and will achieve long term sustainable savings.	To date we have had initial conversations with the Director of Resources to understand the processes that the Authority have undertaken to ensure that its decisions on cost reductions and service cuts reflect local priorities and will achieve long term sustainable savings. In the coming months we will review these processes to ensure that they are appropriate to deliver the Authority's priorities.

We have considered the specific VFM risks we first set out in our VFM approach report.

Key VFM risk	Focus of work	Actions to take
Waste management	As part of the vision for waste management in Leeds, the Authority are proposing to build a treatment facility to deal with waste that cannot be recycled. The Authority have narrowed the original eight bidders down to two and the successful bidder will be chosen in Summer 2011. Further public consultation will then commence later in 2011, with construction planned to commence in 2013. This project is an example of a large scale procurement exercise undertaken by the Authority and a review of the procedures followed for this may indicate further risks that could lead to additional VFM work being undertaken. This work is particularly relevant to the economy, efficiency and effectiveness criterion of the VFM conclusion.	During our final accounts visit we are proposing to involve our PFI & corporate finance and procurement specialists, who have a background in managing, reviewing and assessing waste contracts, to review the progress and process undertaken so far in the procurement process. We will use information from these reviews to assess how this large procurement process at the Authority has delivered economy, efficiency and effectiveness.

Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year or earlier as indicated.

Priority rating for recommendations		
● **Priority one**: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	● **Priority two**: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	● **Priority three**: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1	● (two)	**Overtime Payment Authorisation** Internal Audit identified that there were 10 instances out of a sample of 30 where amendments to payroll data had not been appropriately authorised. All 10 of these instances related to overtime payments. Internal Audit have undertaken further testing on this to ascertain: a) If this is was wider issue for the Authority; and b) If these payments were correct despite the controls operating ineffectively. The result of this testing found that the 10 instances mentioned above had been paid correctly. Further testing of an additional 25 instances found 1/25 where an overpayment was identified, this is now being reclaimed. The total amount of overtime paid in 2010-11 was less than our audit materiality	Whilst the processes for authorising overtime payments are generally sound, the following improvements are to be implemented in order to strengthen the arrangements: Business Support Centre to update and maintain authorisation lists prior to the introduction of the Self service facility. Authorising officers to be reminded that relevant documentation to support overtime payments should be retained in line with the Council's Financial Procedure Rules. Specific services to implement improvements to overtime authorisation and checking processes. In addition Internal audit are to undertake periodic sample checks within areas of high spend and overtime will continue to be an area scrutinised under budget monitoring arrangements. Responsible officers: Chief Officer financial management Due date: Oct 2011

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
2	● (three)	**Benefits Overpayments Reconciliation – Council Tenants** This reconciliation takes place to ensure that the debtor figure in the Councils accounts in respect of overpayments to benefits claimants is correct. Beneath this there is a further calculation which apportions the overpayments between different headings/benefit types. We re-performed the Benefits Overpayments reconciliation for quarter one and found: The figure for total benefit overpayments for Council Tenants on the reconciliation was £3,867,813.67. We found however, that this did not agree to the underlying Academy report. The total benefit overpayments for Council Tenants was £851,650.26. The figures for these overpayments had not been entered correctly into the reconciliation. These reconciliations work on a cumulative basis. This means that at quarter two and each of the following quarters, the reconciliation is performed again. As such any previous errors would be eradicated. We recommend that, in line with current procedures, the Authority thoroughly review this reconciliation at the year end to ensure the figures used are accurate and fully agree to the source systems. If the Authority feel it is inappropriate to verify benefit overpayments by type on a quarterly basis, consideration should be given to re-designing the control to undertake this detailed review at year end only.	This reconciliation has no impact on the Council's subsidy claim. The reconciliation forms part of the process for apportioning the benefit overpayment debtor over a number of classifications. Currently only the final published apportionment of the debtor, completed at the year end, is subject to a full and detailed calculation and review. Officers have now introduced a quarterly review of this apportionment to ensure accuracy throughout the year. Responsible officer: Senior Financial Manager (Central & Corporate) Due date: July 2011.

Follow-up of prior year recommendations

This appendix summarises the progress made to implement the recommendation identified in our Interim Audit Report 2009/10 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	1
Implemented in year or superseded	0
Remain outstanding.	1

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
1	● (two)	**Reconciliation of Council Tax Benefits per the Council Tax system to the Benefits System**. Our review of Internal Audit's work identified one reconciliation which had not been fully reconciled in the month chosen for sampling. This has already been reported to you by Internal Audit and we will revisit the year end reconciliation as part of our final visit later in 2010. We have been informed that the difference on the reconciliation was due to a timing difference between the two system reports that has been present since Academy was introduced. At the current time we do not envisage that this will affect our work on the financial statements	The system providers have made a number of amendments in order to help minimize the timing differences in the reports. Throughout the year the largest timing issue recorded on the reconciliation has been £3,396, against a net benefit payment in that quarter of over £49m. The final accounts and the benefit claim are adjusted to account for these minor introduced timing differences.	This issue remains and the Authority continue to work with the system providers to minimize the timing differences.

Key issues and recommendations (IT)

IT systems' access for some staff that have left the Authority was not revoked in a timely manner.

We have recommended that the operation of the leaver's notification and access removal be improved for the relevant systems.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
● *Priority one*: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	● *Priority two*: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	● *Priority three*: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1	● (three)	**FMS and Orchard Leavers' Access Revocation** When staff leave the Authority, their access to any of the IT systems should be removed in a timely manner to avoid such accounts being subsequently used by unauthorised individuals to view, alter or delete business critical data. However, we identified 30 active FMS user accounts and 14 active Orchard user accounts previously assigned to staff that have now left the Authority. These accounts had not been deactivated in line with the defined procedures. Where such accounts are left active, the risk is increased that they could be used incorrectly and this could lead to errors in financial reporting or incorrect management information being produced by the systems. We recommend that management should ensure that the established leavers process is consistently followed to ensure that all leavers' access to the systems is revoked in a timely manner. Adequate arrangements should be put in place for the notification of all leavers to the officers responsible for managing access to the systems so that the process can be effectively managed.	Agreed. Leavers for both FMS & Orchard now deleted. The current system of deleting leaver access only identifies those leavers who access FMS via a desktop icon. A new procedure is now being developed to compare the leavers identified from SAP (Payroll) and FMS user IDs (FMS access cannot be gained without a user ID). A similar system is also being developed for Orchard access. Responsible officers: Principle Accountant (Corporate Financial Management) & Housing Systems Strategic Manager. Due date: June 2011.

Key issues and recommendations (IT)

No reviews are performed to verify that user access permissions on the Academy and Orchard systems are still valid.

We have recommended that periodic reviews are performed over user access and unused accounts.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
2	● (three)	**Academy and Orchard User Access Monitoring** Permissions granted to users, to access and change data within the IT applications, should be periodically reviewed to ensure that they are still valid and required for their job roles. There are currently no formal periodic reviews performed to validate that user access rights within the Orchard and Academy applications are appropriate . Also, no activities are performed to investigate unused accounts to determine whether they are still required. Where periodic access reviews are not performed, there is a risk that instances of inappropriate or unnecessary access rights for users on the systems are not identified and resolved. This could lead to users being able to access or make changes to data which they should not based on their current job roles. We recommend that periodic reviews of user access rights should be instituted for the Orchard and Academy applications, especially for users that can perform highly privileged system functions. These should involve the relevant authorising managers verifying that the list of active users within their teams and their corresponding access permissions granted are appropriate. In addition, the system administrators should periodically review the access details for users to identify accounts that have not been used for long periods. Such accounts should be investigated and deactivated if no longer required.	Agreed. A risk based assessment of key access rights is to be developed. Access to key risk areas will then be subject to periodic monitoring to ensure the rights are still applicable to current job roles. This follows the procedures established for FMS. Responsible officers: Housing Systems Strategic Manager & Academy Business Continuity Manager. Due date: Risk assessment June 2011 Implement monitoring arrangements Aug 2011.

Follow-up of prior year recommendations (IT)

This appendix summarises the progress made to implement the recommendations identified in our Interim Audit Report 2009/10 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	10
Implemented in year or superseded	8
Remain outstanding (re-iterated below)	2

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
1	● (one)	**SAP Program Change Controls** It is good practice that those responsible for the implementation of system changes to the SAP Payroll production environment (i.e. the SAP BASIS Implementation Team) are also responsible for verifying that user testing has been satisfactorily completed. However, at the Authority this task is completed by those responsible for developing changes (i.e. the Development Team). We also noted that some members of the Development Team have access to the group (e.g. ZLCC BASIS) used for implementing the system changes to the SAP Payroll production environment, thus reducing segregation between development and production responsibilities. We recommend that management review the current SAP change control process and ensure that the SAP BASIS team independently verify the user acceptance testing prior to migrating the changes to live. We also recommend that access to 'ZLCC BASIS' group is reviewed and where appropriate, limited to those who require such access.	**Risk accepted and action taken** UAT completion and sign-off now included as part of the validation by the implementation team prior to live migration of SAP changes into live. All evidence now sent through via a dedicated mailbox. Changes only made live when sufficient evidence has been received. Access rights to ZLCC_BASIS group have been reviewed and all unnecessary access has been removed as of 12th March 2010.	Complete. Our 2010-11 fieldwork has confirmed that this issue has now been resolved.

No	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
2	● (two)	**Network password resets** If a user requires their Novell Network password resetting which allows them access to a computer, they must contact the IT Helpdesk and answer a series of security questions. The questions relate to information that is easily accessible to any officer in the Authority. We recommend that the controls over network password resets are strengthened to avoid the use of easily obtainable information for security questions.	**Risk accepted and no action proposed** ICT believes that the risk of someone posing as another user in order to access their account is very low, and there is no recorded instance of this happening. Therefore ICT accept the risk and do not intend to change the process at this time.	Not applicable. The risk has been accepted and no action was proposed by the Authority.
3	● (two)	**Application password resets** If a user requires their application password resetting, they must contact the IT Helpdesk for Orchard (the Housing system) and SAP and the Academy Support Team for Academy. We noted that the process for validation of user authenticity is weak. We recommend that the controls over application password resets are strengthened.	**Risk accepted and no action proposed** Orchard and SAP: Both applications require the requestor to supply an application identity, and both ICT and the business believes that the risk of someone posing as another user in order to access their account is very low. In addition, there is no recorded instance of this happening. Therefore ICT accept the risk and do not intend to change the process at this time. Academy and FMS: This principle also applies with a specific application id required to be provided by the requestor. Again, there is no recorded instance of someone posing as another user to gain access to their account.	Not applicable. The risk has been accepted and no action was proposed by the Authority.

Follow-up of prior year recommendations (IT)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
4	● (two)	**Application access monitoring** There are no centrally initiated reviews of user access for the in-scope applications (e.g. FMS, SAP, Academy, Orchard). The responsibility for monitoring application user access is with departments but no central co-ordination occurs to ensure the reviews are completed. For Academy, reviews of user access are completed every two years, however, we were unable to verify this because no evidence of the reviews is retained. We recommend that reviews of user access are centrally coordinated and monitored for compliance. The completion of the reviews should also be evidenced and retained.	**Risk accepted and no action proposed** Discussions between the officers who are responsible for the applications and ICT, have concluded that there are sufficient mitigating controls to significantly reduce any potential risk from inappropriate access. It is therefore the view of the officers involved that the administrative cost of a centralised procedure for monitoring user access across the applications cannot be justified based on the risks involved.	Not applicable. The risk has been accepted and no action was proposed by the Authority.

The Authority is currently reviewing the Information security policies.

This would form the basis for the development of formal security awareness programmes.

No	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
5	● (two)	**Information Security Policy and User Awareness** User awareness of the Authority information security policies has not been rolled out yet. However the Information Knowledge Management team are currently developing a strategy for information sharing and user awareness. User awareness will be increased via presentations as well as policies and procedures in line with the Government Connect and Information Risk Management policy requirements. We recommend that user awareness of Authority information security policies is rolled out as soon as is practicable.	**Status – Agreed and Action Proposed** The Information Assurance Maturity Model (IAMM) is being introduced to provide a framework to measure compliance and ongoing maturity in key areas of information assurance, such as Governance & Leadership; Training & Awareness; Information Risk Management; Through-Life Measures (technical); and, Information Sharing & Compliance. The IAMM will be used to produce an Information Assurance Strategy for the Authority. This will be underpinned by a number of key policies including protective marking, information risk management and information sharing. It will also require a review of existing policies including the Information Security Policy. An initial assessment has been undertaken and established that there are gaps in all areas, but particularly in respect of Information Assurance training and awareness. The Training & Awareness Strategy will encompass these requirements. It is anticipated that a draft Information Assurance Strategy will be ready by August 2010 and that the underpinning policies will be drafted by the end of 2010, though some are already under consultation. Furthermore, the Authority is looking at developing resource capacity across the organisation to ensure it can deliver the Information Assurance Strategy throughout the Directorates. **Officer:** Lee Hemsworth **Due Date:** Information Assurance Draft Strategy August 2010, All policies March 2011	Remains Outstanding. Our 2010-11 fieldwork has confirmed that a review is ongoing to update and consolidate the Information Security policies for the Authority. This would be followed by the development of formal user awareness training programmes for staff based on the updated policies.

Follow-up of prior year recommendations (IT)

No	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
6	● (two)	**Disaster Recovery (DR)** We noted that the last DR test for SAP (the HR/Payroll system) was completed in July 2008 and was not successful. The DR test was unsuccessful because of a number of issues that were encountered in preparing and completing the test, which led to the recovery team running out of time. We noted that no further formal DR tests have been completed on SAP since the unsuccessful test in July 2008. However, it is acknowledged that a recovery from production to development test has since been completed and these were successful. We recommend that all key in-scope applications are subject to annual DR tests as a minimum.	**Risk accepted and action proposed** Several issues, which caused delays, were encountered during the test and these were documented as part of the trial. Though none of these issues were 'show stoppers', the time allocated for the trial was exhausted, and resources had to be reassigned to other work. The issues identified have since been addressed, and the documentation has now been revised and updated, to enable clearer recording of recommendations and status. Since the trial, several successful migrations of live data into the test/DR environment have taken place. Though not official DR trials, these recoveries have given high levels of confidence in ICTs ability to recover in a DR situation. A DR schedule is maintained for all key applications, detailing previous successful/unsuccessful trials and those planned for the coming year. Service reviews with the business owners include, as a standard agenda item, Disaster Recovery and the most recent SAP review undertaken on 18/11/2009 identified a need to schedule a DR trial. This resulted in a SAP DR trial being scheduled for 31/05/2010, and the time allocated has been increased to enable a successful trial to occur. Also, to increase visibility of the schedule, and to ensure trials are undertaken annually, a review of the DR schedule has now been included as a standard agenda item on the monthly Infrastructure Services Review meeting. **DR failure investigation - complete** **DR testing - May 2010** **DR schedule review - ongoing**	Complete. Our 2010-11 fieldwork has confirmed that this issue has now been resolved.

Follow-up of prior year recommendations (IT)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
7	● (two)	**Academy User Access Administration** Academy (the Revenues & Benefits system) system's password parameters do not meet the Authority's standards, in particular in relation to the enforcing of alphanumeric characters. We recommend that Academy password parameters are brought in line with Authority standards. We also noted that when a new Academy user is created, the account is set without a password and the user must create a password upon first log on. There are currently no controls operating to ensure the user logs in and creates a password on a timely basis. We noted the application owners are aware of the risk and are currently seeking to implement a solution that does not impact on service delivery. We recommend that a password is assigned to new Academy user accounts which are only known by the Academy Support Team. The user should then be instructed to log on and change the password on a timely basis.	**Risk accepted and action proposed** The Academy support team are to introduce a new process of creating users with a password being allocated at the time the user is created. As Academy is one of the applications that works with Single Sign on (Novell Secure Login) then initial testing will be required, along with amended procedure notes and the single sign on guidance notes for Academy users. Academy will not, as yet, prompt users to change their password on initial log in and whilst we can tell them the process to follow we cannot force a user to change their password although of course they will be prompted to do so after 40 days. An amendment to the system to force strong passwords (incl. the need to use an alpha numeric password) is currently being tested. **Officer:** Kathryn Glasby - Business Continuity Manager Revenues & Benefits **Due Date:** June 2010	Complete. Our 2010-11 fieldwork has confirmed that this issue has now been remediated. The recommendations were implemented as part of a recent upgrade of the Academy system in February 2011.

Follow-up of prior year recommendations (IT)

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
8	● (two)	**FMS Program Change Controls** We noted that reliance is placed on the Development Team to have verified that appropriate user acceptance testing has been completed prior to a change being implemented on the live FMS (the Finance system) environment. Good practice recommends that verification of user acceptance testing and other acceptance criteria for a change should be performed by those responsible for the implementation of the change to the live environment (in this case the FMS Implementation team). We noted that the Authorising Manager in the Development team does not verify that the user acceptance testing has been successful and signed off by the Finance department before signing the notification form for migration to live. We recommend that management review the current FMS change control process and ensure that independent verification of the user acceptance testing prior to migrating the changes to live occurs.	**Risk accepted and action taken** FMS program change controls processes have been amended to include the change record number, a plain English description of the change and UAT/testing sign-off needs to be attached to the request before the change is signed-off by management and passed to the implementation team. **This updated process is already in place.**	Complete. Our 2010-11 fieldwork has confirmed that this issue has now been resolved.

Follow-up of prior year recommendations (IT)

The Authority is currently developing a definitive list of approvers for the Academy system for the user departments outstanding.

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at April 2011
9	● (three)	**Academy User Access Administration** An 'approvers list' identifying those staff who are able to approve a new user access request for Academy is not documented. As a result, reliance is placed on personal knowledge that the 'approver' is an appropriate member of staff. We recommend that a defined list of approvers for new user access requests is developed, reviewed periodically and where appropriate updated to reflect any changes.	**Risk Accepted and Action Proposed** Agreed - a defined list of approvers for new user access requests will be developed, reviewed periodically and where appropriate updated to reflect any changes. **Officer:** Kathryn Glasby - Business Continuity Manager Revenues & Benefits **Due Date:** June 2010	Remains Outstanding. Our 2010-11 fieldwork has confirmed that a defined list of approvers has been developed for the Revenues and Benefits, Customer Services and Leeds Housing Options areas. Work is currently ongoing to develop similar approvers lists for the other areas within the Authority where the Academy system is used.
10	● (three)	**Server room access monitoring** Although a six monthly review of access lists for the server room is operated, there is no evidence retained that this list has been reviewed and signed as evidence of review. We recommend that the Network Management Centre (NMC) team who are responsible for managing server room access should ensure that evidence of the six monthly review of the access lists is produced and retained.	**Risk accepted and action taken** NMC staff have now introduced a six monthly review schedule and a checklist for this process. This checklist will be signed off when the six monthly review of access has taken place **Action complete**	Complete. Our 2010-11 fieldwork has confirmed that this issue has now been resolved.

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