



Report of the Deputy Chief Executive & Director of Resources

CORPORATE GOVERNANCE & AUDIT COMMITTEE

Date: 29th July 2010

Subject: Annual Internal Audit Report 2010/11

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

On behalf of the Corporate Governance and Audit Committee and the Deputy Chief Executive & Director of Resources, 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. Its 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.

The terms of reference of the Corporate Governance and Audit Committee require that the Committee 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.

This report concludes that the internal control environment is fundamentally well established and continuing to operate well in practice even though 2009/10 has been a challenging year for the organisation. There have been instances where the control environment was not strong enough or complied with sufficiently to prevent significant risks to the organisation. The areas of most concern in the year have been in Childrens Services and Adult Social Care and internal audit has been working closely with management in both these areas to improve key controls.

The overall conclusion is that Leeds City Council has a sound 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, notably Childrens Services, where improvements are urgently needed. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that, in the main, these controls continue to work well in practice although there are some areas, notably Adult Social Care and ALMO contract management, where improvements are necessary. However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

1.0 Purpose Of This Report

- 1.1 This report brings to the attention of the Committee those issues raised by Internal Audit in 2009/10.
- 1.2 The proposed Internal Audit Operational Plan has is also included as part of this report and has been challenged and agreed by the Deputy Chief Executive & Director of Resources.

2.0 Main Issues

- 2.1 The report contains a summary of completed jobs along with their individual opinions and highlights five key areas where improvements in the control environment are considered necessary.
- 2.2 This report has already been presented to CLT and each Director has confirmed that an Action Plan is in place and that progress will be monitored.
- 2.3 Internal Audit will continue to undertake a follow up audit where the impact has been determined as either 'Major' or 'Moderate' to ensure the revised controls are operating well in practice.

3.0 Implications For Council Policy And Governance

- 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.

4.0 Legal And Resource Implications

- 4.1 None.

5.0 Conclusions

- 5.1 There are no issues identified by Internal Audit that would necessitate direct intervention by the Corporate Governance & Audit Committee.

6.0 Recommendations

- 6.1 That the Corporate Governance and Audit Committee receives the Annual Internal Audit Report 2009/2010 and notes the assurances given.
- 6.2 That the Corporate Governance and Audit Committee approves the Internal Audit Operational Plan for 2010/11.