

LEEDS CITY COUNCIL

INTERNAL AUDIT ANNUAL REPORT AND OPINION

2009/10

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Section 1

INTRODUCTION

The Annual Reporting Process

Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Corporate Governance and Audit Committee and the 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. 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.

Internal Audit is part of the Audit & Risk Division of the Resources Directorate. 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 and outlines the proposed risk based Internal Audit Plan for 2010/11 for approval by the Corporate Governance and Audit Committee.

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.

In April 2006 amendments to the Accounts and Audit Regulations (England) 2003 had a further affect on internal audit for English authorities. Statutory Instrument 564/2006 came into force on 1st April 2006 and took effect from the 2006/7 financial reporting year. SI 564, Regulation 6, required bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be

considered by a committee of the body, or by the body as a whole. Leeds has been proactive in defining what the system of internal audit is and has developed its own methodology to determine whether this system is effective. The conclusions of this review will be contained in a separate report to the Corporate Governance and Audit Committee.

Section 2

REVIEW OF INTERNAL CONTROL

Opinion 2009/2010

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 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.

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 that arise. 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. Examples include:

- Corporate governance reviews, including a review of key assurance frameworks and the Annual Governance Statement
- Risk based reviews of all fundamental financial systems that could have a material impact on the accounts (e.g. payroll, creditors)
- Risk based reviews of departmental systems
- Fraud strategy work, responsive fraud and irregularity investigations
- Efficiency reviews
- Procurement audit
- Audits of Council establishments (e.g. schools, Social Services establishments, leisure centres)

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 improve consistency in audit reporting, the following definitions of audit assurance are used for all systems and governance audits completed.

Definitions of Audit Assurance (to December 2009)

Control Environment Assurance		
Level	Definitions	
1	FULL ASSURANCE	There is a sound control environment.
2	SUBSTANTIAL ASSURANCE	There are minor weaknesses in the control environment.
3	MODERATE ASSURANCE	There are some weaknesses in the control environment.
4	LIMITED ASSURANCE	There are some significant weaknesses in the control environment.
5	NO ASSURANCE	There are fundamental weaknesses in the control environment.

Compliance Assurance		
Level	Definitions	
1	FULL ASSURANCE	The control environment has operated as intended.
2	SUBSTANTIAL ASSURANCE	The control environment has substantially operated as intended although some minor errors have been detected.
3	MODERATE 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.

Following a paper to CLT, new audit assignments commencing from January 2010 had an updated set of definitions for assurance and also, where appropriate, included an opinion on the organisational impact of any weaknesses in the control environment. The new definitions were agreed as follows;

Control Environment Assurance		
Level		Definitions
1	SUBSTANTIAL	There is a sound control environment.
2	GOOD	There are minor weaknesses in the control environment.
3	ACCEPTABLE	There are some weaknesses in the control environment.
4	LIMITED	There are some significant weaknesses in the control environment.
5	NO ASSURANCE	There are fundamental weaknesses in the control environment.

Compliance Assurance		
Level		Definitions
1	SUBSTANTIAL	The control environment has operated as intended.
2	GOOD	The control environment has substantially operated as intended although some minor errors have been detected.
3	ACCEPTABLE	The control environment has mainly operated as intended although errors have been detected.
4	LIMITED	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.

Section 3

BASIS OF INTERNAL AUDIT OPINION

The following section provides a summary of the more significant issues that have been identified and reported during the year. This is by exception only.

1 CORPORATE GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT

In June 2007 CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published *Delivering Good Governance in Local Government: Framework*. The Department for Communities and Local Government has determined that this guidance represents proper practice.

Consequently, the Corporate Governance and Audit Committee (the Committee) should seek assurance that this guidance has been followed to compile the Annual Governance Statement (AGS). To help the Committee gain that assurance and to give some independent assurance that the AGS is free from material misstatement Internal Audit undertakes reviews of the key corporate governance systems.

Using the proper practice guidance issued by CIPFA as the basis, Internal Audit reviews the corporate governance evidence framework (Leeds Governance Framework - LGF) to confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective within the Council. The Council has demonstrated a firm foundation for this in directly linking the LGF to the Council's Code of Corporate Governance. Internal Audit remains of the opinion that the policies, procedures and systems are generally in place for good corporate governance.

The AGS contains a number of assurances and opinions on the actual operation of the internal controls from Key Chief Officers and Internal Audit has placed reliance on these assurances in arriving at the opinion that policies, procedures and systems are in place for corporate governance to be effective within the Council. Directorate assurances on the adoption of, and compliance with, the corporate governance framework and their system of internal control would significantly enhance the assurance framework and provide further evidence to the Committee when challenging the AGS.

In order to provide the Head of Audit with evidence, and the Committee with some additional independent assurance, that corporate governance controls are working in practice Internal Audit reviews the adequacy of central controls in key areas.

Although Internal Audit has made a number of recommendations to further improve the systems of control the overall conclusion is that Leeds City Council has a sound Governance Framework that those charged with Governance can gain assurance from, although there are some areas, notably Childrens Services, where improvements are urgently needed.

2 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 in previous years, 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 2009/10 and have confirmed that it fully meets their requirements in terms of timeliness, quality and supporting evidence. KPMG reported that they;

"have been able to place full reliance on the work undertaken which reduces the impact on other officers at the Authority. We did not identify any significant issues with internal audit's work and are pleased to report that we are again able to place full reliance on internal audit's work of the key financial systems"

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.

In all cases an action plan has been agreed with the appropriate officers that, if implemented, will give substantial control environment assurance.

3 OTHER REVIEWS

This section provides a summary of all reports issued in the period.

The section firstly draws attention to five significant areas where Internal Audit has given a limited audit opinion on either the control environment itself or the compliance with the controls.

1 Children's Services

Early in 2009/10 Internal Audit submitted a report in respect of Children & Young Peoples Care Decisions. The report identified fundamental weaknesses in the control environment and also compliance with controls that were in place and this resulted in a no assurance audit opinion being given. One key risk associated with

these findings was in terms of accountability and the transparency of decision making to demonstrate and ensure the safeguarding of vulnerable children.

Following the unannounced Ofsted inspection in July 2009, Internal Audit worked with the Children & Young Peoples Social Care service to advise on a suitable governance framework which would improve governance arrangements particularly through strengthened accountability, performance management and quality assurance frameworks. In addition, internal audit also undertook a review of 412 open files issuing corrective action sheets where evidence was missing along with suggested procedures for monitoring actions taken. The recommendations contained in the reports have been included in the Childrens improvement Plan that is being actively monitored.

Understandably, pressures within the service have prevented internal audit from undertaking further work in these areas but the following assurances have been received from the Director which gives an update on the latest position;

- The need to make significant improvements has been recognised and prioritised by the service. More recently work on governance on care decisions has seen a significant strengthening of multi-agency involvement, senior management scrutiny of decisions alongside the development of plans to enhance the review and commissioning aspects of care management. This activity is taking into account the recommendations of this Audit work.
- CYPSC acknowledge that adherence to the procedures recommended by Audit was not to required standards; that may have been due to poor communication or interpretation of those requirements or the other priorities and pressures on social worker staff. Senior Managers report, with confidence, that the work they undertook addressed the underlying concerns on the cases audited: evidencing that to Audit has proven impossible within the constraints of time and resource (and would divert scarce resource from active care activity).
- There is a recognition that all open files would benefit from a review but this has to be in the context of the social worker caseloads and other priorities to serve children and families. The ICT infrastructure doesn't support such a major undertaking and it has been recognised that carrying out further audits, at the expense of the work to improve practice, was too high a risk. Nevertheless audits have been undertaken, albeit in low numbers and without the ICT to evidence progress satisfactorily. To continue in this vein is unsustainable and therefore the major response to address this in now within the Practice Improvement Programme where, resources allowing, over 3500 case file audits are scheduled to be done in the autumn. This is being supported by a key development of ESCR, the ICT system, to make the process more efficient and allow performance and quality monitoring to be achieved within the process.

- By this time the extra recruitment of Social workers should provide the capacity. We have also secured funding from the previous DCSF to provide additional professional capacity to assist with quality assurance work and have engaged 3 experienced interims to focus particularly on placement and child protection issues and processes,
- Significant improvements to the P.I.s relating to initial and core assessments as reported to the Improvement Board and the recent inspection by Ofsted of fostering, which has confirmed in the draft report that the service is now 'good', are useful indicators of progress being made

Given the risk to the organisation, Internal Audit is continuing to work alongside and support Childrens Services .

2 Adult Social Care Budget Pressure Review 2009/10 (note this report has not yet been issued)

The Adult Social Care budget has experienced severe financial pressures in 2009/10. The projected variances reported to the Directorate Management Team and Finance Performance Group increased progressively through the year. Particularly large increases in the projected overspend were reported in periods 7 and 8.

In response to these pressures Adult Social Care formed a Review Group, chaired by the Chief Officer (Resources and Strategy) with representation from Financial Management and Audit & Risk. The review group commissioned work to be undertaken by a number of services, including Internal Audit, to review the robustness of, and compliance with, the financial management arrangements necessary to effectively manage the budget during a period of significant transformation. Work has already been completed, and reported to senior management, by Financial Management (Adult Social Care and Corporate) to review how the current budget pressures have occurred. Internal Audit has been able to place substantial reliance upon the work already undertaken.

Controls are in place that should have identified the significance of the budget overspend in a more timely manner. However there were a number of key weaknesses that meant this did not occur:

- A lack of real time information impacting on the ability of Financial Management to accurately predict the projected outturn;
- Management information not being sufficiently analysed and escalated, impacting on the ability of the Directorate Management Team to fully understand the impact of decisions;
- Productivity issues within directly provided services, Internal Audit has estimated that the cost of downtime and sickness within the Home Care service was between £3.3 million and £3.8 million;

- Delays in transforming the directly provided services, for example the implementation of re-ablement was planned to be rolled out by June 2009. This has not yet happened but is currently being piloted in an area of the City.

A review board has been formed, with senior management representatives from Adult Social Care, Financial Management and Audit & Risk. Action Plans are being developed to respond to emerging findings and this board will challenge these and oversee implementation.

The Internal Audit report was presented to the Review Group on the 16th June 2010. In response to this, and other reports received, the Review Group agreed that the recommendations arising from the audit would be amalgamated with existing action plans into an overarching action plan, including progress already made against recommendations. This will be submitted to the Corporate Leadership Team at the earliest opportunity.

3 Strategic Landlord Management & Assurance Framework

As reported in the 2008/9 Annual Internal Audit Report limited assurance was given for the control environment as the Management Agreement and Performance Management Framework had omissions in the monitoring procedures around governance, decency, responsive repairs and service improvement plans. Limited assurance was also given for compliance with the control environment as there were a number of key areas of monitoring set out in the Management Agreement and Performance Management Framework that were not being complied with.

To address the key issues highlighted in the report, Internal Audit worked with the Strategic Landlord during 2009/10 to develop an Assurance Framework that will help to ensure the partnership risks are fully understood and are appropriately monitored and reported. Internal Audit has been commissioned by the Strategic Landlord to undertake a suite of audits and provide certain assurances within this Framework in relation to elements of the Strategic Landlord monitoring function and for key risk areas for the BITMO and each of the ALMOs.

This new framework will increase the likelihood of significantly improving the control environment in 2010/11.

4 ALMO/BITMO Responsive Repairs Contracts

Previous audits highlighted significant concerns in the way the contracts have operated and been managed and these issues have continued in 2009/10. There remains a skills gap in managing the contracts in place, and as a consequence there is a lack of clarity about how the 'partnerships' should be operating in practice. One impact of this is that over time, significant overcharging has accumulated and the partnership contracts have not fully demonstrated value for money or driven efficiency. However, there is an acknowledgement of the skills gap within the

ALMO's to monitor these contracts and a need to ensure that open book reviews to confirm the costs of these contracts are undertaken at regular intervals. The recently agreed performance management framework will begin to address these issues by developing in house skills to provide more robust monitoring.

The work undertaken by Internal Audit identified that for each of the partnerships reviewed, significantly more had been paid across to contractors than was due. The following gives a high level summary of the outcomes;

- In addition to the payments already made in-year by the ALMOs, the requests for additional payment for one contractor totalled £1.968m in respect of the contracts for 2007/08 and 2008/9. As a result of the detailed work Internal Audit presented a schedule of requests for repayment from this contractor. The Head of Audit, the Chief Procurement Officer and the Chief Support Services Officer attended a meeting with the contractor on 9th April and agreement was reached by both parties for an actual cash repayment of £2.018m to be made to Leeds City Council in respect of these contracts. When combined with the reduction of £578K (with actual cash repayment of £222K) agreed with a contractor for the 2006/7 financial year, there has been an overall reduction in invoiced values of £4.564M for the Council.
- A formal agreement has been prepared by Legal Services for the repayment of £2.018M and the Strategic Landlord will determine how to distribute the funds to the ALMOs
- Credit notes were received during the audit from another contractor totalling £68K in respect of overcharging for 2008/09 in relation to profit being charged on non-specialist sub-contractors. An additional £6K was repaid following the audit for items charged that did not relate to the provision of the contract.
- Following audit work, a further contractor agreed to repay £40K in relation to over-recovery of overheads. In addition to this, potential efficiency savings of £210K were identified during the audit that may be shared between the two parties. Agreement with the contractor has been reached on how these will be identified and shared in the future.

Internal Audit worked closely with WNWHL during these audits. It is largely as a result of the commission of additional Internal Audit services and the commitment shown by WNWHL that the city-wide settlement of £2.018m has been achieved. Although accepting that there has been a lack of understanding of the contracts in place WNWHL have shown considerable commitment to improving the contract monitoring and financial processes in place to detect and prevent future overcharging.

A key challenge for the organisation is to ensure the contracts agreed as part of the procurement 2011 process will drive value for money and that the skills and competencies needed to manage such a contract are available.

5 Housing allocations Review

Following management referral, Internal Audit undertook a review of the allocations process across the ALMOs and the BITMO. Allocations should comply with the Lettings Policy and Procedure developed by the Strategic Landlord. Based on Leeds Homes Performance data for 2007/08 it is estimated that 14,169 applications are received each year and 4,552 properties are allocated.

- ***Lettings Policy***

Weaknesses were identified with the Lettings Policy, specifically in the lack of a requirement to obtain proof of identity at application stage, the absence of checks to confirm continued eligibility and in terms of guidance on data security issues. The impact of the weaknesses identified in the Lettings Policy was an increased risk that ineligible people may receive council housing. This could lead to the properties being purchased under the right to buy scheme for a discount.

The review identified that there was no guidance in the Lettings Policy and Procedures regarding the retention of documents on house files. This has led to inconsistencies across the organisations and individual NHOs/OSCs with regard to the documentation retained on the house file.

Following this audit and the recommendations made, the lettings Policy and Procedures have been revised and issued. Compliance with this new policy will be regularly reviewed as part of the revised Assurance Framework.

Summary of completed audit reviews

As can be seen, in addition to the above five significant areas, there are a number of reviews that have resulted in limited assurance or no assurance. However each review concluded with a number of recommendations that, if implemented, would allow appropriate levels of assurance to be given.

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.

The Annual Internal Audit Report 2009/2010

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Weetwood Primary School	Moderate	Moderate		Education Leeds	01/04/2009
Meanwood C of E Primary School Audit	Substantial	Substantial		Education Leeds	01/04/2009
Financial Management Central Controls	Moderate	Substantial		Resources	01/04/2009
Priesthope sports Specialist College	Moderate	Substantial		Education Leeds	02/04/2009
Allerton Grange High School	Moderate	Moderate		Education Leeds	02/04/2009
Armley Primary School Audit	Moderate	Moderate		Education Leeds	02/04/2009
Seacroft Grange Primary School Audit	Substantial	Substantial		Education Leeds	03/04/2009
Holy Name Catholic Primary School Audit	Substantial	Substantial		Education Leeds	06/04/2009
School Meals Income Audit	Moderate	Moderate		Education Leeds	08/04/2009
Community Care Payments to Residential Care Home Providers	Substantial	Substantial		Adult Social Care	08/04/2009
Education Leeds Creditors	Substantial	Moderate		Education Leeds	09/04/2009
Spring Bank Primary School	Moderate	Moderate		Education Leeds	17/04/2009
Children & Young People's Social Care Decisions	No Assurance	No Assurance		Children's Services	21/04/2009
All Saint's Richmond Hill Church of England	Limited	Limited		Education Leeds	23/04/2009
Summerfield Primary School Audit	Substantial	Substantial		Education Leeds	28/04/2009
BESD SILC Elmete Audit	Moderate	Limited		Education Leeds	28/04/2009
Central Leeds Learning Federation Audit	Limited	Limited		Education Leeds	28/04/2009
Gildersome Primary School	Limited	Moderate		Education Leeds	28/04/2009
Hawksworth Wood Primary School	Substantial	Substantial		Education Leeds	28/04/2009
Environment & Neighbourhoods Housing Rents	Substantial	Moderate		Environment & Neighbourhoods	01/05/2009
Key & Major Decisions by Officers under Delegated Authority	Limited	Moderate		Chief Executive	01/05/2009
Treasury Management & Bankline	Substantial	Substantial		Resources	01/05/2009
Education Leeds Payroll System	Substantial	Moderate		Education Leeds	05/05/2009
Ralph Thoresby Follow Up	Moderate	Substantial		Education Leeds	11/05/2009
Allerton Bywater	Moderate	Moderate		Education Leeds	11/05/2009
Leeds Benefit Service Fairer Charging	Substantial	Substantial		Resources	11/05/2009
Spring Gardens	Moderate	Substantial		Adult Social Care	12/05/2009
EMAS Audit Rothwell Leisure Centre	N/A	N/A		City Development	13/05/2009
Radcliffe Lane Day Centre	Moderate	Moderate		Adult Social Care	15/05/2009
St Mary's Catholic Primary	Substantial	Substantial		Education Leeds	18/05/2009
Thorpe Primary	Limited	No Assurance		City Development	18/05/2009
Homecare Adult Social Care	Limited	Limited		Adult Social Care	18/05/2009
Integrity Of Accounts	Moderate	Moderate		Resources	21/05/2009
Creditors Children's Services	Substantial	Moderate		Children's Services	21/05/2009
Siegan Manor Day Centre	Substantial	Substantial		Adult Social Care	22/05/2009
Fredrick Hurdle Day Centre	Moderate	Moderate		Adult Social Care	22/05/2009
Harry Booth House	Substantial	Moderate		Adult Social Care	22/05/2009
Primrose Hill HOP	Substantial	Substantial		Adult Social Care	22/05/2009
Radcliffe Day Centre	Moderate	Moderate		Adult Social Care	22/05/2009
Greenside Primary	Moderate	Substantial		Adult Social Care	22/05/2009
Naburn Court Day Centre	Moderate	Moderate		Adult Social Care	02/06/2009
The Green Day Centre	Substantial	Substantial		Adult Social Care	02/06/2009
Middleton Under 3's	Moderate	Moderate		Adult Social Care	02/06/2009
Armley NHO Review	Moderate	N/A		Environment &	01/06/2009

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
				Neighbourhoods	
BSC Payroll	Moderate	Moderate		Resources	02/06/2009
Delph Manor	Substantial	Moderate		Adult Social Care	05/06/2009
Bramley Children's Centre	Moderate	Moderate		Children's Services	09/06/2009
BSC Creditors	Substantial	Moderate		Resources	09/06/2009
Bracken Edge Primary School	Substantial	Substantial		Education Leeds	10/06/2009
Supporting People IT System Follow Up	Substantial	N/A		Environment & Neighbourhoods	10/06/2009
Contract Audit Follow Up	Moderate	Moderate		Children's Services	12/06/2009
Supporting People Review	Substantial	Substantial		Environment & Neighbourhoods	15/06/2009
North West SILC	Moderate	Substantial		Education Leeds	18/06/2009
Control Accounts Reconciliation	Substantial	Moderate		Resources	22/06/2009
Procurement of External Consultants	Substantial	Moderate		Education Leeds	23/06/2009
New Beverley Primary School	Substantial	Moderate		Education Leeds	30/06/2009
Morley Victoria Primary School	Substantial	Substantial		Education Leeds	30/06/2009
Kippax Ash Tree Primary School	Moderate	Moderate		Education Leeds	30/06/2009
Beeston Hill St Luke's C of E Primary School	Moderate	Moderate		Education Leeds	30/06/2009
Primrose Lane Primary School	Moderate	Substantial		Education Leeds	30/06/2009
Bank Reconciliation and Cash Book	Substantial	Substantial		Resources	01/07/2009
Sale of Land Follow Up	Moderate	Substantial		City Development	02/07/2009
Fees and Expenses	Moderate	Moderate		Education Leeds	02/07/2009
Gledhow Primary School	Substantial	Substantial		Education Leeds	03/07/2009
Suffolk Court HOP	Limited	Limited		Adult Social Care	03/07/2009
Annual Governance Statement	Moderate	Moderate		Corporate Governance	03/07/2009
Leeds Benefit Service Counter Fraud	Substantial	Moderate		Resources	09/07/2009
Delegated Decision	Limited	Moderate		Corporate Governance	09/07/2009
Quarry Mount Primary School	Limited	Moderate		Education Leeds	09/07/2009
St. Urban's Primary School	Substantial	Moderate		Education Leeds	10/07/2009
Claim Investigation Section	Limited	N/A		Environment & Neighbourhoods	10/07/2009
Westbrook Lane Primary School	Substantial	Substantial		Education Leeds	14/07/2009
Royds Catering School Specialist	Moderate	Moderate		Education Leeds	15/07/2009
Fountain Primary School	Limited	Moderate		Education Leeds	15/07/2009
St Francis' Catholic Primary School	Moderate	Moderate		Education Leeds	16/07/2009
Scholes Elmet Primary School	Substantial	Moderate		Education Leeds	16/07/2009
Sacred Heart Primary School	Substantial	Substantial		Education Leeds	16/07/2009
Valley View Primary School	Moderate	Moderate		Education Leeds	17/07/2009
Thorpe Primary School	Moderate	Substantial		Education Leeds	23/07/2009
Corporate Governance	Substantial	N/A		Education Leeds	23/07/2009
St Joseph's Catholic Primary School	Moderate	Substantial		Education Leeds	27/07/2009
Drighlington Primary School	Substantial	Substantial		Education Leeds	27/07/2009
Roundhay Road Area Office	Moderate	Moderate		Adult Social Care	28/07/2009
Risk Management Central Control	Moderate	Moderate		Resources	30/07/2009
Swarcliffe Children's Centre	Moderate	Moderate		Children's Services	31/07/2009
Windlefords Green Supported Living Service	Moderate	Substantial		Adult Social Care	04/08/2009
Lowtown Primary School	Moderate	Moderate		Education Leeds	04/08/2009
Central Interpretation and Translation	Limited	Limited		Chief Executive	04/08/2009

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Unit					
Hunslet Hall Area Office	Substantial	Moderate		Adult Social Care	05/08/2009
Richmond Hill Under 3's Children Centre	Moderate	Moderate		Children's Services	07/08/2009
Public & Private Partnership Unit	Moderate	Moderate		Chief Executive	07/08/2009
New Beverly Children's Centre	Moderate	Moderate		Children's Services	12/08/2009
Bramley Baths	Moderate	Moderate		City Development	13/08/2009
Capital Payment Verification Review- Children's Centres Phase 2	Substantial	Substantial		City Development	17/08/2009
Education Leeds 7 Schools PFI Contract	Moderate	Substantial		Education Leeds	02/09/2009
Information Governance Central Controls.	Moderate	N/A		Chief Executive	04/09/2009
Allocations Review	Limited	No Assurance		Environment & Neighbourhoods	15/09/2009
Care Ring	Limited	Limited		Environment & Neighbourhoods	15/09/2009
Audit of National Indicator(NI)16- Serious acquisition crime rate	Substantial	Substantial		Environment & Neighbourhoods	16/09/2009
Capital Payment Verification Civic Hall Heating Phase 3	Substantial	Substantial		Resources	17/09/2009
Audit Of NI61 Timeliness of Placement for adoptions	Limited	Limited		Children's Services	23/09/2009
Capital Payment Verification Audit Planning, Policy & Improvement - Central Performance Management Review	Limited	Substantial		Chief Executive	02/10/2009
Internal Audit Report - Fire Risk Package 2	Substantial	Substantial		City Development	05/10/2009
Internal Audit Report - Procurement Unit - Central Controls	Moderate	Moderate		Corporate Governance	05/10/2009
Garforth Library Contract Audit	Substantial	Substantial		City Development	05/10/2009
Substantiation of Performance Indicator Data Quality	Moderate	Substantial		Chief Executive	05/10/2009
Children's Services-Integrated Youth Support Service Igen Open Book Review	Moderate	Moderate		Children's Services	06/10/2009
St Philip's Primary School	Substantial	Substantial		Education Leeds	07/10/2009
Corporate Purchasing Cards Review	Moderate	Moderate		Resources	08/10/2009
Woodlesford Primary School	Moderate	Substantial		Education Leeds	14/10/2009
Christ Church Upper Armley C of E Primary School	Moderate	Moderate		Education Leeds	14/10/2009
Renew Leeds Ltd - Value for Money Review	No Opinion Given	No Opinion Given		Chief Executive	16/10/2009
Substantiation of Performance Indicator Data Quality BP25	Substantial	Substantial		Resources	20/10/2009
Improvements to 16 Care Homes	Substantial	Substantial		Adult Social Care	21/10/2009
Capital Payment Verification Review- Oakwood Shopping Village	Substantial	Substantial		City Development	23/10/2009
Greenhill Primary School	Moderate	Moderate		Education Leeds	03/11/2009
Immaculate Heart of Mary Catholic Primary School	Substantial	Substantial		Education Leeds	03/11/2009
Barwick in Elmet C of E Voluntary Controlled Primary School	Moderate	Moderate		Education Leeds	03/11/2009
Contract Monitoring Arrangements for the Leeds Early Years /Integrated Youth Support Service Central Support Team	Limited	N/A		Children's Services	05/11/2009
Waste Management and Recycling Review	Substantial	Substantial		Environment & Neighbourhoods	05/11/2009

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Audit of National Indicator LSP TP1e – increase the number of new customers on low incomes accessing credit union services	Limited	N/A		City Development	05/11/2009
Manston St James C of E Primary School	Moderate	Substantial		Education Leeds	10/11/2009
Austhorpe Primary School	Substantial	Substantial		Education Leeds	10/11/2009
Parklands Girls High School	Limited	Substantial		Education Leeds	13/11/2009
Blenheim Primary	Moderate	Moderate		Education Leeds	13/11/2009
Capital Payment Verification Review – New York Road Tunnel Phase 2	Substantial	Moderate		City Development	18/11/2009
Beechwood Primary School	Substantial	Substantial		Education Leeds	20/11/2009
Community Care, Fairer Charging Assessments Audit Review	N/A	N/A		Resources	24/11/2009
St Mary's Primary	Substantial	Moderate		Education Leeds	03/12/2009
HR-Personnel File Review	N/A	Limited		Environment & Neighbourhoods	11/12/2009
Health & Safety	N/A	Moderate		Environment & Neighbourhoods	16/12/2009
Garforth Community College FMSiS	Pass	Pass		Education Leeds	16/12/2009
Moor Allerton Library	Moderate	Moderate		City Development	17/12/2009
East Leeds Leisure Centre	Moderate	Moderate		City Development	18/12/2009
HR – Personnel Files	N/A	Limited		City Development	21/12/2009
Morley High School	Substantial	Substantial		Education Leeds	21/12/2009
City of Leeds School Follow up Review	Limited	Limited		Education Leeds	28/01/2010
The Vale Day Centre	Limited	Limited		Adult Social Care	29/01/2010
Self Directed Support Evaluation – Phase 2	N/A	N/A		Adult Social Care	15/02/2010
Compliance with Contract Procedure Rules	N/A	N/A		Chief Executive	16/02/2010
Yeadon Library	Acceptable Assurance	Acceptable Assurance	Minor	City Development	22/02/2010
Taxi and Private Hire Licensing, Premises Extension	Acceptable Assurance	Acceptable Assurance	Minor	City Development	24/03/2010
Beeston Library	Acceptable Assurance	Good Assurance	Minor	City Development	24/02/2010
Oakwood Library	Acceptable Assurance	Good Assurance	Minor	City Development	24/02/2010
Golden Acre Cafe	Good Assurance	Good Assurance	Minor	City Development	30/03/2010
South SILC (Broomfield) Internal Audit follow-up review	Moderate	N/A		Education Leeds	12/02/2010
Brigshaw High School & Language	Moderate	Moderate		Education Leeds	18/02/2010
Follow-ups All Saints Richmond Hill	Substantial	Moderate		Education Leeds	04/03/2010
Environmental Sustainability Central Controls	Acceptable Assurance	N/A	Minor	Environment & Neighbourhoods	26/03/2010
Leeds Benefits Service – Accounting & Subsidy	Good Assurance	Acceptable Assurance	Minor	Resources	09/02/2010
Revenues and Benefits Service - Counter Fraud	Good Assurance (Operational Areas) /Acceptable (Governance Arrangements)	Good Assurance	Minor	Resources	26/02/2010

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	Control Environment	Compliance	Business Impact		
Housing Benefits — Assessment and Payments	Substantial Assurance	Good Assurance	Minor	Resources	26/02/2010
Treasury Management & Bankline	Substantial Assurance	Good Assurance	Minor	Resources	26/03/2010
Income Management System	Substantial Assurance	Substantial Assurance	Minor	Resources	05/03/2010
Control Account Reconciliations	Substantial Assurance	Substantial Assurance	Minor	Resources	22/03/2010
Central Sundry Income	Substantial Assurance	Substantial Assurance	Minor	Resources	23/03/2010
Education Leeds Payroll System Audit	Good Assurance	Good Assurance		Education Leeds	23/04/2010
Fountain Primary School Follow Up Audit	Good Assurance	Acceptable		Education Leeds	28/04/2010
Children's and Young Peoples Reports; File Review Governance Framework Issues identified	N/A	Limited Assurance	Major	Children's Services	02/04/2010
NNDR	Good Assurance	N/A	Minor	Resources	04/05/2010
LPSA2 Grant Final Claim Review	Acceptable	Acceptable	Minor	Chief Executive	04/05/2010
BSC Payroll	Good Assurance	Good Assurance	Minor	Resources	04/05/2010
Council Tax	Good Assurance	N/A	Minor	Resources	05/05/2010
Hawthornthorpe C of E Primary School	Good Assurance	Good Assurance	Minor	Education Leeds	05/05/2010
Community Care — Payments to Independent Residential and Nursing Home Providers	Good Assurance	N/A	Moderate	Resources	05/05/2010
Guiseley High School	Good Assurance	Good Assurance	Minor	Education Leeds	07/05/2010
BESD SILC Follow Up	Good Assurance	Good Assurance	Minor	Education Leeds	07/05/2010
Audit of Aberford C of E Primary School	Good Assurance	Good Assurance	Minor	Education Leeds	07/05/2010
Environment and Neighbourhoods – Supporting People	Acceptable	Acceptable	Moderate	Environment and Neighbourhoods	07/05/2010
Roundhay Visitors Centre Shop	Good Assurance	Good Assurance	Minor	City Development	07/05/2010
Richmond House HOP	Good Assurance	Good Assurance	Minor	Adult Social Care	07/05/2010
Integrity of Accounts Follow Up	Substantial Assurance	Substantial Assurance	Minor	Resources	13/05/2010
Audit Query relating to the International Relations — Purchasing Card Business Case	Acceptable	Acceptable	Moderate	Resources	19/05/2010
Quarry Mount Primary School Follow Up Audit	Good Assurance	Good Assurance	Minor	Education Leeds	19/05/2010
Featherbank Infant School	Substantial Assurance	Substantial Assurance	Minor	Education Leeds	19/05/2010
Annual Governance Statement Interim Report	N/A	N/A		Corporate Governance	19/05/2010
Hough Top Court Catering	Acceptable	Good Assurance	Minor	Resources	26/05/2010
Education Leeds Procurement System Audit	Good Assurance	Limited Assurance		Education Leeds	27/05/2010
City Development Sundry Income -	Acceptable	Acceptable	Moderate	City Development	27/05/2010
Housing Rents	Good Assurance	Acceptable	Minor	Environment and Neighbourhoods	27/05/2010
Bramley St Peter's C of E VC Primary School	Pass	Pass		FMSIS Education Leeds	01/04/2009
Cross Gates Primary School	Pass	Pass		FMSIS Education	01/04/2009

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
				Leeds	
BESD SILC	Fail	Fail		FMSIS Education Leeds	01/04/2009
Castleton Primary School	Pass	Pass		FMSIS Education Leeds	02/04/2009
Our Lady of Good Counsel Catholic Primary School	Pass	Pass		FMSIS Education Leeds	02/04/2009
Armley Primary School	Pass	Pass		FMSIS Education Leeds	02/04/2009
Stanningley Primary School	Pass	Pass		FMSIS Education Leeds	03/04/2009
St Francis of Assisi Catholic Primary	Pass	Pass		FMSIS Education Leeds	03/04/2009
Summerfield Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	03/04/2009
Victoria Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	06/04/2009
Spring Bank Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	06/04/2009
Carlton Primary School	Pass	Pass		FMSIS Education Leeds	21/04/2009
St Benedict's Catholic Primary School	Pass	Pass		FMSIS Education Leeds	23/04/2009
Springbank	Pass	Pass		FMSIS Education Leeds	22/05/2009
Victoria Primary School	Pass	Pass		FMSIS Education Leeds	05/06/2009
Summerfield Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	05/06/2009
Scholes Primary School	Pass	Pass		FMSIS Education Leeds	09/06/2009
Morley High School	Pass	Pass		FMSIS Education Leeds	26/11/2009
Allerton High	Pass	Pass		FMSIS Education Leeds	03/12/2009
Woodkirk High	Pass	Pass		FMSIS Education Leeds	20/01/2010
Brigshaw High School & Language	Pass	Pass		FMSIS Education Leeds	20/01/2010
Ralph Thoresby High School	Pass	Pass		FMSIS Education Leeds	21/01/2010
Austhorpe Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	21/01/2010
Harewood C of E Voluntary Controlled	Pass	Pass		FMSIS Education Leeds	28/01/2010
Hill Top Primary School	Pass	Pass		FMSIS Education Leeds	29/01/2010
Bramham Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	29/01/2010
Lady Elizabeth Hasting C of E Primary	Conditional Pass	Conditional Pass		FMSIS Education Leeds	04/02/2010
Thorner C of E Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	10/02/2010
St Francis Catholic Primary School	Pass	Pass		FMSIS Education Leeds	11/02/2010
Guiseley School Technology College	Pass	Pass		FMSIS Education Leeds	11/02/2010
Hawsworth C of E Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	11/02/2010
Adel St John the Baptist Primary	Conditional Pass	Conditional Pass		FMSIS Education Leeds	12/02/2010
Wetherby High School	Conditional	Conditional		FMSIS Education	12/02/2010

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	Control Environment	Compliance	Business Impact		
	Pass	Pass		Leeds	
Temple Moor High School Science	Pass	Pass		FMSIS Education Leeds	18/02/2010
Bramhope Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	21/02/2010
Cockburn College of Arts	Conditional Pass	Conditional Pass		FMSIS Education Leeds	24/02/2010
Lower Wortley Primary School	Pass	Pass		FMSIS Education Leeds	26/02/2010
Moortown Primary	Pass	Pass		FMSIS Education Leeds	04/03/2010
Featherbank Primary Horsforth	Pass	Pass		FMSIS Education Leeds	04/03/2010
All Saint's Richmond Hill Primary	Pass	Pass		FMSIS Education Leeds	04/03/2010
Priesthorpe Sports College	Conditional Pass	Conditional Pass		FMSIS Education Leeds	04/03/2010
Swinnow Primary	Conditional Pass	Conditional Pass		FMSIS Education Leeds	04/03/2010
Horsforth Newlaithes Junior School	Pass	Pass		FMSIS Education Leeds	10/03/2010
Rothwell High Road Infant School	Pass	Pass		FMSIS Education Leeds	10/03/2010
Roundhay School Technology	Pass	Pass		FMSIS Education Leeds	17/03/2010
Richmond Hill Primary School	Pass	Pass		FMSIS Education Leeds	17/03/2010
Mill Field Primary School	Pass	Pass		FMSIS Education Leeds	17/03/2010
Aberford C of E Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	17/03/2010
Allerton Bywater Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	24/03/2010
Bramhope Primary School	Pass	Pass		FMSIS Education Leeds	31/03/2010
Hawthornthwaite C of E Primary School	Pass	Pass		FMSIS Education Leeds	31/03/2010
Austhorpe Primary	Pass	Pass		FMSIS Education Leeds	31/03/2010
Adel St John the Baptist Primary	Pass	Pass		FMSIS Education Leeds	03/03/2010
Micklefield C of E Primary	Pass	Pass		FMSIS Education Leeds	31/03/2010
Micklefield C of E Primary	Pass	Pass		FMSIS Education Leeds	31/03/2010
Manston Primary School	Pass	Pass		FMSIS Education Leeds	31/03/2010
Cockburn College of Arts	Pass	Pass		FMSIS Education Leeds	07/04/2010
Westbrook Lane Primary	Pass	Pass		FMSIS Education Leeds	07/04/2010
Swillington Primary	Conditional Pass	Conditional Pass		FMSIS Education Leeds	07/04/2010
Shadwell Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	07/04/2010
Lady Elizabeth Hasting C of E Primary	Pass	Pass		FMSIS Education Leeds	08/04/2010
Ingram Road Primary School	Pass	Pass		FMSIS Education Leeds	22/04/2010
Rothwell C of E Voluntary Controlled	Conditional Pass	Conditional Pass		FMSIS Education Leeds	22/04/2010
Royds School Specialist Language College	Pass	Pass		FMSIS Education Leeds	28/04/2010

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Swinnow Primary School	Pass	Pass		FMSIS Education Leeds	05/05/2010
BESD SILC	Conditional Pass	Conditional Pass		FMSIS Education Leeds	05/05/2010
Pool-in-Wharfedale C of E Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	07/05/2010
Aberford C of E Primary School	Pass	Pass		FMSIS Education Leeds	12/05/2010
Thorner C of E Primary School	Pass	Pass		FMSIS Education Leeds	12/05/2010
Gildersome Primary School	Conditional Pass	Conditional Pass		FMSIS Education Leeds	19/05/2010
Pool-in-Wharfedale C of E Primary School	Pass	Pass		FMSIS Education Leeds	21/05/2010
St James C of E Voluntary Controlled	Pass	Pass		FMSIS Education Leeds	21/05/2010
Priesthorpe Sports Specialist College	Pass	Pass		FMSIS Education Leeds	21/05/2010
Wetherby High Follow Up	Pass	Pass		FMSIS Education Leeds	23/04/2010

4 WHISTLE BLOWING

Internal Audit continues to act as the custodians of the Council's Whistleblowing Policy. In 2009/10, Internal Audit dealt with a total of 91 potential irregularity referrals. All reported irregularities were risk assessed by Internal Audit and where appropriate an audit investigation undertaken. Where it was more appropriate to do, the matter was referred to directorates and follow up was undertaken.

To further demonstrate the Council's commitment to safeguarding public funds internal audit externally publicises an email address (concerns@leeds.gov.uk) where potential irregularities can be reported. This will continue to be undertaken via the Council's internet site and inclusion in the 'Your Money' supplement of the Leeds newspaper.

5 CONTRACT PROCEDURE RULES

Internal Audit has continued to be pro-active in offering advice to officers on the application of Contract Procedure Rules (CPR). When these rules cannot be fully complied with a waiver is sought and through this process Internal Audit provides clear, risk based recommendations to Directors, advising on how to progress that particular procurement. More importantly, we work with departmental officers to examine ways to prevent re-occurrence and secure both best value and transparency.

Advice has been given on procurements during the year ranging from only a few thousand pounds to multi-million pound contracts. This type of timely advice has

reduced the risk to which the Council has been exposed when procuring goods and services.

Section 4

AUDIT PERFORMANCE 2009/2010

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 thirteen 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 Management 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.

Table 4 - Results from Customer Satisfaction Questionnaires

Question	Actual 2008/09 % Score 3 or above	Actual 2009/10 % Score 3 or above	Actual 2009/10 % Score 4 or above
Notice	100	100	98
Scope	98	98	82
Understanding	89	96	85
Efficiency	93	100	98
Consultation	96	98	91
Professional/Objective	96	100	100

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Accuracy of Draft	100	96	85
Opportunity to comment	100	100	94
Clarity & Conciseness	100	96	95
Recommendations	100	96	91
Final Report – Prompt	100	94	85
Added Value	98	94	83

These results are again extremely encouraging, particularly as the nature and complexity of work undertaken by Internal Audit continues to change. The Council is continually developing more robust systems for identifying and evaluating the significant risks to their objectives. Internal Audit is expected to give a number of assurances on the internal control environment to both internal and external clients not just on financial but operational, service and reputational risks. The staffing skills and resources within Internal Audit are continually adapting to these changes.

Internal Audit is a professional discipline and as such it is desirable that all staff should have an appropriate professional qualification or be under training contracts to gain such a professional qualification. A high percentage of our staff are professionally qualified or under professional training contracts. This professional training approach is being actively enhanced by both in-house training and individual officers undertaking Continuing Professional Development in their own time. This investment in staff will continue to result in even better audit performance in future years, ensuring that the Section will be able to react positively to the changing demands being placed on the audit profession.

During the year the Section again completed the key reviews necessary to provide an evidence based assurance for the Annual Governance Statement and to enable KPMG to rely upon internal audit work for opinion purposes. KPMG concluded that;

“We have a strong working relationship with the Internal Audit team at the Authority and again have been able to place full reliance on the work undertaken which reduces the impact on other officers at the Authority. We did not identify any significant issues with internal audit’s work and are pleased to report that we are again able to place full reliance on internal audit’s work of the key financial systems. We particularly noted improvements in terms of the quality of system documentation”

One of the key service objectives of the Section is to remain a centre of excellence for new and emerging issues within the audit field. Internal Audit continues to be represented on a number of external audit forums including CIPFA working groups, Core Cities, Northern Counties Chief Internal Auditor network, West Yorkshire Audit Group and the Information Systems Audit and Control Association (ISACA) and has

been actively involved in contributing to the development of a number of nationwide initiatives through its work with CIPFA. The Section continues to be invited to contribute to and be represented on national panels and the Head of Audit regularly gives national and local presentations on best practice.

QUALITY STANDARD ACCREDITATION

During January 2010 an independent review was undertaken of Internal Audit's quality system to ensure compliance with ISO 9001:2000 standard. The review team conducted a process-based audit, focusing on significant aspects/risks/objectives required by the standard. The review team concluded that;

"The section 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 organisation's policy and objectives"

The next review visit is due on the 12th July 2010. The new quality system BS ISO9001:2008 standard has been introduced. Internal Audit will be assessed against this standard before November 2010.

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. During the period a number of in-house training courses have been provided covering key developments in the profession and within the sector. In addition, external CPD events such as CIPFA seminars and ISACA events continue to be well attended by Internal Audit staff and the Head of Audit was Vice Chairman of CIPFA North East Region – a group of volunteers with a key objective of developing a programme of local CPD events – and a member of CIPFA Council. Internal auditors at Leeds are therefore well informed on current developments in the internal audit field and, more widely, those affecting the accountancy profession.

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. At Leeds, evidence of professional training and development activities must be retained and individual/group training needs identified. Much of this CPD is done in officers own time showing a personal commitment to continual improvement of the Team.

Section 5

AUDIT PLAN 2010/2011

Background

The Head of Audit must provide an annual opinion on the overall adequacy and effectiveness of the organisation's entire control environment. To support this internal audit must deliver a Risk Based Plan that 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 during this process as is the internal audit risk map of the Authority which is continually updated and used to form the basis of the internal audit plan. The risk map review process draws on key indicators of risks to the organisation.

The audit plan has been reviewed and challenged by Audit Management Team, the Chief Officer (Audit and Risk) and the Director of Resources and revised where necessary.

The Annual Plan

Internal audit has developed a comprehensive list of potential review areas across the organisation. Using the risk based approach outlined above these are assessed and placed in priority order. It is from this risk assessed list that the annual plan is derived.

However, there are a number key systems that are considered of sufficient risk to be automatically included in the audit plan each year. These systems are agreed in advance with KPMG and are used as the basis by which KPMG are able to place reliance upon Internal Audit work. These systems are generally the ones that have the highest financial risk.

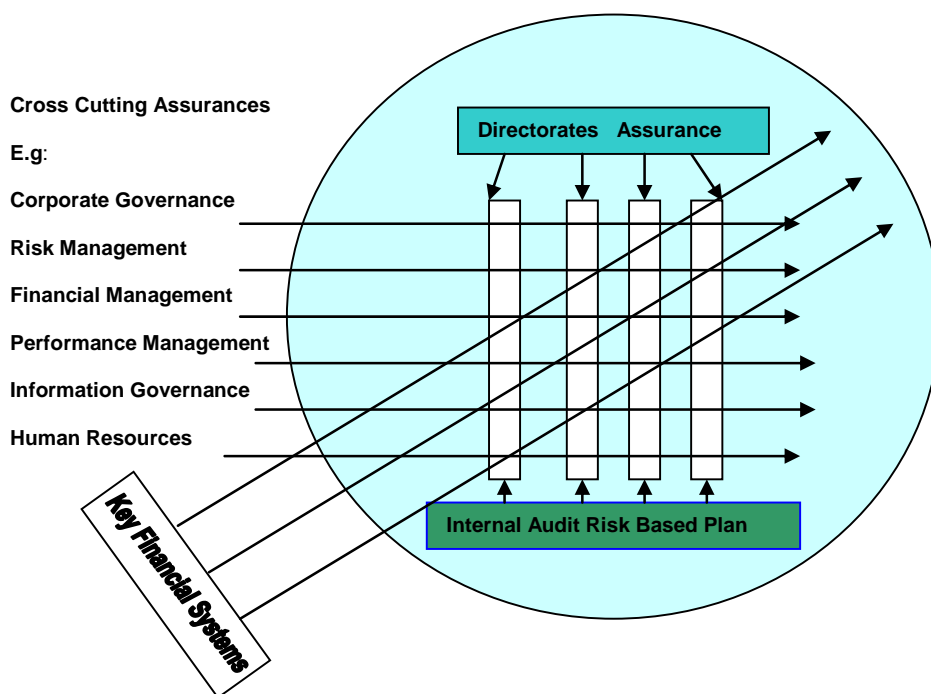
There are also a number of areas where the cumulative values/risks are assessed as having a level of in year risk that dictates they must be included in the Plan. These are generally establishment based reviews, for example schools and sports centres or areas such as procurement. Again, resources are automatically allocated to these areas to ensure there is some coverage in the year.

How assurance can be given

Below is a diagram of how completion of the Annual Plan will allow the Head of Audit to give an opinion on the overall adequacy and effectiveness of the Council's entire internal control environment.

Underpinning this must be a team of auditors equipped with the necessary skills and competencies that will allow stakeholders to rely upon their work. In addition, the Head of Audit must be satisfied that any other assurances taken into account are the result of a robust process and evidence based. For most assurances this will require an internal audit review.

Internal Audit Assurance Framework



Directorate Assurances

In the 2010/11 Plan, internal audit has included work that will assess the adequacy of corporate governance arrangements within each directorate. This will include, for example, reviews to determine whether;

- Objectives are aligned to Corporate Priorities,
- If risk registers are completed and monitored
- If key risks are subject to robust and timely management information
- If there are appropriate performance indicators and if these are monitored

- If Corporate policies /procedures are communicated/embedded and routinely complied with in practice
- If Key 'partnerships' have been identified and are being appropriately monitored

Wherever possible, best practice will be identified within each directorate and used to inform the final audit recommendations. These audits will significantly contribute towards understanding whether the key risks to the Council are being effectively managed.

Cross Cutting Assurances

Internal audit will also review the key corporate functions, which will also give 'cross cutting' assurances to the CG&AC in their own right. These reviews will include assessing the arrangements to ensure that;

- their policies and procedures are;
 - current and fit for purpose
 - effectively communicated
 - embedded and routinely complied with across the organisation
- the monitoring and reporting arrangements are appropriate
- appropriate and timely action has been taken

These reviews will provide an evidence based assurance on those key policies and procedures that underpin the control environment.

Key Financial Systems

This is the traditional area of internal audit work 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". This 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 integrity of accounts.

Risk Based Plan

The remaining reviews in the annual plan tend to be more directorate based and are directed towards those areas with the highest risks. These days will be used to assess compliance with key policies and procedures and to give an opinion on the impact on the service and organisation where these non compliances occur.

Conclusion

The 2010/11 audit plan has, as a base, used the tried and tested risk based approach to prioritising internal audit work and further develops the understanding of, and reliance on, other sources of 'assurance' as part of the system of internal audit.

Progress against the plan will be monitored throughout the year and key issues reported to the Director of Resources, the Corporate Governance Board and the Chief Officer (Audit & Risk). The Head of Audit will report key issues arising from this work to the CG&AC in the half year and annual report as a minimum.

The proposed 2010/11 annual audit plan is attached below in which details the individual review areas planned and also as a diagram for ease of reference.

Given the changing environment and the new Government it is likely that this Plan will be subject to continuous review as changes in relative priorities of jobs already included and risks emerging throughout the year will need to be addressed.

INTERNAL AUDIT OPERATIONAL PLAN 2010/11

Summary by Audit Type

TOTAL DAYS FOR KEY FINANCIAL SYSTEMS	784	11.05%	as a percentage of total Plan days
TOTAL DAYS FOR CORPORATE GOVERNANCE	265	3.73%	as a percentage of total Plan days
TOTAL DAYS FOR EFFICIENCY AGENDA	1400	19.73%	as a percentage of total Plan days
TOTAL DAYS FOR ANTI FRAUD & CORRUPTION	862	12.15%	as a percentage of total Plan days
TOTAL DAYS FOR HEAD OF AUDIT ASSURANCES	112	1.58%	as a percentage of total Plan days
TOTAL DAYS FOR PROCUREMENT	70	0.99%	as a percentage of total Plan days
TOTAL DAYS FOR CONTRACT AUDIT	210	2.96%	as a percentage of total Plan days
TOTAL DAYS FOR INFORMATION TECHNOLOGY	130	1.83%	as a percentage of total Plan days
TOTAL DAYS FOR PROFESSIONAL LIAISON	48	0.67%	as a percentage of total Plan days
TOTAL DAYS FOR POLICY	67	0.94%	as a percentage of total Plan days
TOTAL DAYS FOR CORPORATE WORKING GROUPS	95	1.33%	as a percentage of total Plan days
TOTAL DAYS FOR CONTINGENCY	770	10.85%	as a percentage of total Plan days
TOTAL DAYS FOR SCHOOLS	140	1.97%	as a percentage of total Plan days
TOTAL DAYS FOR UNANNOUNCED VISITS	100	1.4%	as a percentage of total Plan days
TOTAL DAYS FOR RISK BASED REVIEWS	25	0.35%	as a percentage of total Plan days
TOTAL DAYS FOR COMPLIANCE	800	11.27%	as a percentage of total Plan days
TOTAL DAYS FOR EDUCATION LEEDS	60	0.85%	as a percentage of total Plan days
TOTAL DAYS FOR CONTRACT	1156	16.30%	as a percentage of total Plan days
TOTAL DAYS IN 2010/11 PLAN	7094		

Detailed Reviews by Audit Type

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Audit		Entity	Directorate
KEY FINANCIAL SYSTEMS			
Community Care	50	Key Financial Systems	Adult Social Care
SAP Payroll	110	Key Financial Systems	Central and Corporate Functions
Housing Benefits - incl. Education Benefits	114	Key Financial Systems	Central and Corporate Functions
Supporting People	50	Key Financial Systems	Environment and Neighbourhoods
Treasury Management & Bankline	25	Key Financial Systems	Central and Corporate Functions
Key Financial Systems - General Computer Controls	20	Key Financial Systems	Central and Corporate Functions
Integrity of Accounts	30	Key Financial Systems	Central and Corporate Functions
Creditors	90	Key Financial Systems	Central and Corporate Functions
Capital Programme Controls	20	Key Financial Systems	Central and Corporate Functions
Council Tax	30	Key Financial Systems	Central and Corporate Functions
NNDR	25	Key Financial Systems	Central and Corporate Functions
Key Financial Systems - Year - End Reconciliations	40	Key Financial Systems	Central and Corporate Functions
Housing Rents	25	Key Financial Systems	Environment and Neighbourhoods
Bank Reconciliation & Cash Book	25	Key Financial Systems	Central and Corporate Functions
Sundry Income	80	Key Financial Systems	Central and Corporate Functions
Synergy	25	Key Financial Systems	Central and Corporate Functions
Income Management System	25	Key Financial Systems	Central and Corporate Functions
TOTAL FOR KEY FINANCIAL SYSTEMS	784		
COMPLIANCE VISITS			
Contingency	800	Policy/procedure and key system visits	Cross- Cutting
KPI's - Data Quality Substantive Checks		Policy/procedure and key system visits	Cross- Cutting
HR Policies		Policy/procedure and key system visits	Cross- Cutting
Travelling & Subsistence		Policy/procedure and key system visits	Cross- Cutting
ICT equipment controls including mobile phones/income		Policy/procedure and key system visits	Cross- Cutting
Childrens Services Files		Policy/procedure and key system visits	Children's Services
Homecare Income		Policy/procedure and key system visits	Adult Social Care
Directorate Purchasing Procedures		Policy/procedure and key system visits	Cross- Cutting
Purchasing Cards and Electronic Invoicing		Policy/procedure and key system visits	Cross- Cutting
Decision Making		Policy/procedure and key system visits	Cross- Cutting
Voluntary organisation grants - Directorate controls		Policy/procedure and key system visits	Cross- Cutting

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Audit		Entity	Directorate
TOTAL FOR COMPLIANCE	800		
UNANNOUNCED VISITS			
Unannounced Visits	100		
Sports Centres		Spot Checks	Cross- Cutting
Adults/Childrens establishments		Spot Checks	Cross- Cutting
Youth and Community Buildings		Spot Checks	Cross- Cutting
Sports Centres		Spot Checks	Cross- Cutting
Golf Courses		Spot Checks	Cross- Cutting
Museums		Spot Checks	Cross- Cutting
Parks and Countryside Income (Formerly Nursery/Red Hall Income)		Spot Checks	Cross- Cutting
Art Galleries		Spot Checks	Cross- Cutting
Markets and Street Trading		Spot Checks	Cross- Cutting
Carriageworks Theatre		Spot Checks	Cross- Cutting
Parks and Gardens		Spot Checks	Cross- Cutting
Libraries		Spot Checks	Cross- Cutting
Cemetery/Crematorium		Spot Checks	Cross- Cutting
Public Halls		Spot Checks	Cross- Cutting
Gateway Leeds		Spot Checks	Cross- Cutting
Planning Decisions		Spot Checks	Cross- Cutting
Land and property management		Spot Checks	Cross- Cutting
Events		Spot Checks	Cross- Cutting
Rents & Leases		Spot Checks	Cross- Cutting
Rent income/ Tenancies		Spot Checks	Cross- Cutting
Leedscard		Spot Checks	Cross- Cutting
TOTAL FOR UNANNOUNCED VISITS	100		
SCHOOLS			
Visits to Schools - High	50	Schools	Children's Services
Visits to Schools - Primary and Special	90	Schools	Children's Services
TOTAL FOR SCHOOLS	140		
RISK BASED REVIEWS			
Sustainability (carbon offsetting - RBS)	25	Corporate Governance - Management Assurances	Cross- Cutting
TOTAL FOR RISK BASED REVIEWS	25		
PROCUREMENT			
Exceptions to Contracts Procedure Rules	70	Procurement	Contingency
TOTAL FOR PROCUREMENT	70		
CONTRACT AUDIT			
Capital Projects - Verification of Payment Valuations and Open Book Reviews	110	Contract Audit	Cross- Cutting
Current Contract Audit	100	Contract Audit	Cross- Cutting
TOTAL FOR CONTRACT AUDIT	210		

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Audit		Entity	Directorate
INFORMATION TECHNOLOGY			
ICT Key Projects	80	ICT	Central and Corporate Functions
ICT Central Health Check	50	ICT	Central and Corporate Functions
TOTAL FOR INFORMATION TECHNOLOGY	130		
CORPORATE GOVERNANCE			
Children's Services Governance Evidence Framework	0	Corporate Governance - Management Assurances	Children's Services
Adult Social Care Governance Evidence Framework	0	Corporate Governance - Management Assurances	Adult Social Care
Resources Directorate Governance Evidence Framework	10	Corporate Governance - Management Assurances	Central and Corporate Functions
Environment and Neighbourhoods Governance Evidence Framework	10	Corporate Governance - Management Assurances	Environment and Neighbourhoods
City Development Governance Evidence Framework	0	Corporate Governance - Management Assurances	City Development
Section 151 Officer Governance Evidence Framework	10	Corporate Governance - Management Assurances	Central and Corporate Functions
Monitoring Officer Governance Evidence Framework	10	Corporate Governance - Management Assurances	Central and Corporate Functions
Central Monitoring of Key Partnerships	20	Corporate Governance - Partnerships and 3rd Party Assurances	Central and Corporate Functions
Assurances on Partnerships (including LAA)	20	Corporate Governance - Partnerships and 3rd Party Assurances	Cross- Cutting
Education Leeds Strategic Client	0	Corporate Governance - Partnerships and 3rd Party Assurances	Children's Services
Strategic Landlord Strategic Client	25	Corporate Governance - Partnerships and 3rd Party Assurances	Environment and Neighbourhoods
Strategic Design Alliance Strategic Client	20	Corporate Governance - Partnerships and 3rd Party Assurances	Central and Corporate Functions
Corporate Governance Central Controls (Leeds Evidence Framework)	20	Corporate Governance - Annual Governance Statement	Cross- Cutting
Performance Management Central Controls	10	Corporate Governance - Annual Governance Statement	Central and Corporate Functions
Risk Management Central Controls	0	Corporate Governance - Annual Governance Statement	Central and Corporate Functions
Knowledge & Information Governance - Central Controls	0	Corporate Governance - Data Quality	Central and Corporate Functions
Financial Management Central Controls	20	Corporate Governance - Annual Governance Statement	Central and Corporate Functions
Corporate Procurement Unit Central Controls	30	Corporate Governance - Annual Governance Statement	Central and Corporate Functions
Voluntary Organisation Grants - Central Controls	10	Corporate Governance - Partnerships and 3rd Party Assurances	Cross- Cutting
Business Continuity Management Central Controls	0	Corporate Governance - Annual Governance Statement	Central and Corporate Functions
HR Policies and Procedures Central Controls	30	Corporate Governance - Annual Governance Statement	Central and Corporate Functions
Health and Safety Central Controls	20	Corporate Governance - Annual Governance Statement	Central and Corporate Functions
KLOE Use of Resources Evidence Framework	0	Corporate Governance - CPA/CAA	Cross- Cutting
Comprehensive Area Assessment (CAA) information gathering framework	0	Corporate Governance - CPA/CAA	Cross- Cutting

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Audit		Entity	Directorate
TOTAL FOR CORPORATE GOVERNANCE	265		
EFFICIENCY AGENDA			
Value for Money/BPR/Efficiency	1200	VFM	Cross- Cutting
Duplicate Payments	150	VFM	Cross- Cutting
Fees and Charges Review	50	VFM	Cross- Cutting
TOTAL FOR VALUE FOR MONEY	1400		
HEAD OF AUDIT ASSURANCES			
Other Assurances Contingency	20	Head of Audit Assurances	Cross- Cutting
Interreg	1	Head of Audit Assurances	Cross- Cutting
LPSA 2	40	Head of Audit Assurances	Cross- Cutting
Money Laundering - Report	3	Head of Audit Assurances	Cross- Cutting
FMSIS - Section 52 Outturn Statement	3	Head of Audit Assurances	Cross- Cutting
Leeds City Region	5	Head of Audit Assurances	Cross- Cutting
WYPTA - Memo	2	Head of Audit Assurances	Cross- Cutting
Lord Mayors Charity	10	Head of Audit Assurances	Cross- Cutting
ContactPoint (last year 2009/10)	15	Head of Audit Assurances	Cross- Cutting
West Yorkshire Pension Fund	5	Head of Audit Assurances	Cross- Cutting
Annual Governance Statement (AGS) - Report	3	Head of Audit Assurances	Cross- Cutting
Further Education	5	Head of Audit Assurances	Cross- Cutting
TOTAL FOR HEAD OF AUDIT ASSURANCES	112		
CONTRACT WORK			
FMSiS - Visits to Primary and Special Schools	164	Contract Work	Contract Work
FMSiS - Visits to High Schools	12	Contract Work	Contract Work
Schools - Voluntary Funds	10	Contract Work	Contract Work
Strategic Landlord/ALMO partnership assurance programme	600	Contract Work	Contract Work
LNEH	95	Contract Work	Contract Work
LNWH	50	Contract Work	Contract Work
AVH	0	Contract Work	Contract Work
Belle Isle Tenant Management Organisation	30	Contract Work	Contract Work
Leeds and Yorkshire Housing Association	25	Contract Work	Contract Work
Craven College	30	Contract Work	Contract Work
Ashville College	8	Contract Work	Contract Work
Leeds Marketing	0	Contract Work	Contract Work
Building Hope Charity	3	Contract Work	Contract Work
Interreg Claim	6	Contract Work	Contract Work
Credit Union	125	Free	Contract Work
TOTAL FOR CONTRACT WORK	1156		
EDUCATION LEEDS			
Education Leeds General Contingency	60	Education Leeds	Education Leeds
TOTAL FOR EDUCATION LEEDS	60		
PROFESSIONAL LIAISON			
West Yorkshire Fraud Group	3	Professional Liaison	Professional Liaison

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Audit		Entity	Directorate
CIPFA Computer Audit Sub Group	5	Professional Liaison	Professional Liaison
Northern Counties Chief Internal Auditors Group	5	Professional Liaison	Professional Liaison
CIPFA Contract Audit Sub Group	5	Professional Liaison	Professional Liaison
Core Cities	10	Professional Liaison	Professional Liaison
West Yorkshire Audit Group	5	Professional Liaison	Professional Liaison
CIPFA National Working Groups	15	Professional Liaison	Professional Liaison
TOTAL FOR PROFESSIONAL LIAISON	48		
POLICY			
Contracts Procedure Rules Update	5	Policy	Cross- Cutting
Financial Procedure Rules Update	50	Policy	Central and Corporate Functions
Whistleblowing Policy Update	5	Policy	Cross- Cutting
VFM Policy Update	5	Policy	Cross- Cutting
Anti Fraud and Corruption Policy	2	Policy	Cross- Cutting
TOTAL FOR POLICY	67		
CORPORATE WORKING GROUPS			
Major Project Boards	10	Corporate Working Group	Cross- Cutting
LAPD	10	Corporate Working Group	Central and Corporate Functions
Equality Project Team	5	Corporate Working Group	Cross- Cutting
Corporate Governance and Audit Committee	30	Corporate Working Group	Cross- Cutting
ROSPA and Health & Safety	10	Corporate Working Group	Cross- Cutting
Eco Management Audit Scheme (EMAS)	10	Corporate Working Group	Cross- Cutting
Adult Social Care Steering Group	0	Corporate Working Group	Adult Social Care
Corporate Governance Board	20	Corporate Working Group	Cross- Cutting
TOTAL FOR CORPORATE WORKING GROUPS	95		
CONTINGENCY			
General	400	General Contingency	Contingency
Reactive	200	General Contingency	Contingency
Follow-ups	100	General Contingency	Contingency
Councillor Queries	10	General Contingency	Contingency
Jobs less than 0.5 day	60	General Contingency	Contingency
TOTAL FOR CONTINGENCY	770		
ANTI FRAUD AND CORRUPTION			
RIPA Queries/Liaison	2	Anti Fraud and Corruption	Cross- Cutting
Fraud Investigations	600	Anti Fraud and Corruption	Contingency
Counter Fraud Strategies	100	Anti Fraud and Corruption	Cross- Cutting
Fraud Flashes/Warning Bulletins	5	Anti Fraud and Corruption	Cross- Cutting
NFI	40	Anti Fraud and Corruption	Cross- Cutting
Fraud and Corruption Return	5	Anti Fraud and Corruption	Cross- Cutting
Police Enquiries/Liaison	10	Anti Fraud and Corruption	Cross- Cutting
Ethical Standards Framework	50	Anti Fraud and Corruption	Cross- Cutting
Money Laundering	50	Anti Fraud and Corruption	Cross- Cutting
TOTAL FOR ANTI FRAUD AND CORRUPTION	862		

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Audit		Entity	Directorate
Operational Plan Total	7094		

