

LEEDS CITY COUNCIL

INTERNAL AUDIT REPORT

September 2011

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Section 1

INTRODUCTION

1. The Reporting Process

- 1.1. 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.
- 1.2. This bi-monthly report seeks to provide the Corporate Governance and Audit Committee with a summary of internal audit activity for the period and report the incidence of any significant control failings or weaknesses.

2. Background

The impact of the changing environment in which the council is operating - responding to challenges from the Government's spending review and facing significant cost pressures - is necessitating a thorough and ongoing re-evaluation of the level of coverage required to give stakeholders, including the Corporate Governance & Audit Committee, an appropriate level of assurance on the control environment of the council. Therefore, as in previous years, the internal audit operational plan is subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk.

3. Progress against the 2011/12 Operational Plan

- 3.1 The following table shows the progress against the operational plan for the first quarter of the financial year for each assurance block. Resources continue to be reprioritised based on continuous risk assessment. At the moment, it is still expected the mix and volume of work will be sufficient to provide the Committee and other stakeholders with an evidence based assurance on the control environment of the Council.

Assurance Block	Total Days per Audit Plan 2011/12	Total Days Spent 1 st Quarter 2011/12	% completion
Financial Systems	805	182	23%
Contingency	770	32	4%
Counter Fraud And Corruption	922	273	30%
Head Of Audit Assurances	54	30	56%
ICT And Data Mining	530	32	6%
Internal Control And Compliance	1400	395	28%
Policies And Procedures	52	0	0%
Procurement, Monitoring And Improvement	915	79	9%
Schools	140	46	33%
Unannounced Visits	100	58	58%
Business Analysis And VfM	2178	561	26%
Total Assurance Days	7866	1688	21%

In addition, the audit plan also included days for the following:

Audit Area	Days per Audit Plan 2011/12	Days Spent 1 st Quarter 2011/12	% completion
Total Corporate Working Groups	90	0	0%
Total External Contracts	324	174	54%
Total Days	414	174	42%

4. How Internal Control is Reviewed

- 4.1. There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.
- 4.2. However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.
- 4.3. Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

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

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

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

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

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

4.5. The individual reports, and the opinions given within those reports, are detailed in the following table. Not all audit reviews will have an opinion in each of the boxes as this is dependant on the type of review undertaken. The following table includes reports issued between 17th May and 2nd September 2011. Audit reports for 2011/12 which were issued up to and including 16th May 2011 were included in the Internal Audit Annual Report for 2010/11 which was reported to Corporate Governance and Audit Committee on 15th June 2011.

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisation al Impact		
Financial Systems					
Leeds Revenues and Benefits Service - Accounting & Subsidy	Good Assurance	Good Assurance	Minor	Resources	03/06/2011
Integrity of Accounts	Substantial Assurance	Substantial Assurance	Minor	Resources	20/06/2011
Central Financial Management - Central Controls	Substantial Assurance	N/A	Minor	Resources	20/06/2011
Council Tax	Good Assurance	N/A	Minor	Resources	07/07/2011
Capital Programme - Central Controls	Good Assurance	Good Assurance	Minor	Resources	07/07/2011
Leeds Revenues and Benefits Service - Counter Fraud	Good Assurance	Acceptable Assurance	Minor	Resources	08/07/2011
Business Support Centre - Creditors	Good Assurance	Good Assurance	Minor	Resources	14/07/2011
Creditors - Children's Services	Good Assurance	Good Assurance	Minor	Children's Services	20/07/2011
Treasury Management	Substantial Assurance	Substantial Assurance	Minor	Resources	20/07/2011
Business Support Centre - Human Resources Administration	Good Assurance	Acceptable Assurance	Moderate	Resources	20/07/2011
Business Support Centre - Central Payments	Good Assurance	Good Assurance	Minor	Resources	20/07/2011
Sundry Income – City Development	Acceptable Assurance	Acceptable Assurance	Moderate	City Development	23/08/2011
Business Analysis and VFM					
Business Analysis Review - Children's Transport Efficiency	N/A			Children's Services	29/06/2011
Adult Social Care As-Is End to End Review: Learning Disabilities – Continuing Healthcare Team	N/A			Adult Social Care	18/08/2011
Adult Social Care As-Is End to End Review: Learning Disabilities Service – Day Service Modernisation	N/A			Adult Social Care	18/08/2011
Internal Control and Compliance					
Asset Verification - Children's Services	Good Assurance	N/A	N/A	Children's Services	31/05/2011

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Asset Verification - City Development	Acceptable Assurance	N/A	N/A	City Development	13/06/2011
Asset Verification - Adult Social Care	Acceptable Assurance	N/A	N/A	Adult Social Care	13/06/2011
Asset Verification - Environment & Neighbourhoods	Acceptable Assurance	N/A	N/A	Environment & Neighbourhoods	17/06/2011
Asset Verification - Central and Corporate Functions	Good Assurance	N/A	N/A	Resources	07/07/2011
Early Leavers Initiative	Good Assurance	Good Assurance	Minor	Resources	19/07/2011
Right to Buy Scheme	Good Assurance	Good Assurance	Minor	Environment and Neighbourhoods	15/08/2011
Procurement, Monitoring and Improvement					
Open Book Review - Youth Services Provider	Limited Assurance	No Assurance	Moderate	Children's Services	05/04/2011
Schools					
Waterloo Primary School	Limited Assurance	Limited Assurance	Minor	Children's Services	03/06/2011
Middleton Primary School	Good Assurance	Good Assurance	Minor	Children's Services	23/06/2011
Wetherby High School	Acceptable Assurance	Limited Assurance	Minor	Children's Services	08/07/2011
Kirkstall St Stephens COE Primary School	Acceptable Assurance	Acceptable Assurance	Minor	Children's Services	21/07/2011
Boston Spa School	Acceptable Assurance	Acceptable Assurance	Minor	Children's Services	21/07/2011
City of Leeds High School	Limited Assurance	Limited Assurance	Minor	Children's Services	21/07/2011
Cobden Primary School	Acceptable Assurance	Good Assurance	Minor	Children's Services	26/07/2011
Benton Park High School	Acceptable Assurance	Limited Assurance	Minor	Children's Services	09/08/2011
Unannounced Visits					
Pudsey Leisure Centre	Substantial Assurance	Good Assurance	Minor	City Development	19/05/2011
Armley Leisure Centre	Substantial Assurance	Good Assurance	Minor	City Development	19/05/2011
Fredrick Hurdle Day Centre	Good Assurance	Good Assurance	Minor	Adult Social Care	26/07/2011
Meadowfield Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	26/07/2011
Armley Moor Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	26/07/2011
Lotherton Hall	Good Assurance	Good Assurance	Minor	City Development	26/07/2011
Richmond Hill Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	26/07/2011

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Pudsey Civic Hall	Good Assurance	Good Assurance	Minor	City Development	04/08/2011
Leeds Town Hall	Good Assurance	Good Assurance	Minor	City Development	08/08/2011
Apna Day Centre	Good Assurance	Acceptable Assurance	Minor	Adult Social Care	23/08/2011
Harehills Children's Centre	Good Assurance	Good Assurance	Minor	Children's Services	23/08/2011
Hunslet Children's Centre	Good	Good	Minor	Children's Services	02/09/2011
Strategic Landlord Assurance Framework Reviews (Internal Control and Compliance)					
Procurement Quarters 1 & 2 - West North West Homes	Acceptable Assurance	Acceptable Assurance	Minor	Environment & Neighbourhoods	17/05/2011
Keystone Asset Management - Belle Isle Tenant Management Organisation	Good Assurance	Good Assurance	Minor	Environment & Neighbourhoods	17/05/2011
Keystone Asset Management - Strategic Landlord Review (Central Controls)	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	26/05/2011
Lettings Enforcement - Aire Valley Homes Leeds	N/A	Acceptable Assurance	Moderate	Environment & Neighbourhoods	08/06/2011
Tenancy Enforcement Policies & Procedure - East North East Homes Leeds	N/A	Good Assurance	Minor	Environment & Neighbourhoods	08/06/2011
Tenancy Enforcement Policies and Procedures - Strategic Landlord Review (Central Controls)	Acceptable Assurance	N/A	Moderate	Environment & Neighbourhoods	13/06/2011
Key Policies: Safeguarding Policy - Aire Valley Homes Leeds	Acceptable Assurance	N/A	Minor	Environment & Neighbourhoods	13/06/2011
Capital Programme Consultation - Aire Valley Homes Leeds	Good Assurance	N/A	Minor	Environment & Neighbourhoods	14/06/2011
Corporate Governance - Belle Isle Tenant Management Organisation	Good Assurance	N/A	Minor	Environment & Neighbourhoods	17/06/2011
Lettings Enforcement - Belle Isle Tenant Management Organisation Quarters 3 & 4	N/A	Acceptable Assurance	Minor	Environment & Neighbourhoods	17/06/2011
Key Policies: Safeguarding Policy - West North West Homes	Substantial Assurance	N/A	Minor	Environment & Neighbourhoods	17/06/2011
Procurement Quarter 3 - West North West Homes	Acceptable Assurance	Acceptable Assurance	Minor	Environment & Neighbourhoods	22/06/2011
Responsive Repairs - East North East Homes	Good Assurance	Good Assurance	Minor	Environment & Neighbourhoods	23/06/2011
Gas Servicing - Belle Isle Tenant Management Organisation	Acceptable Assurance	Acceptable Assurance	Moderate	Environment & Neighbourhoods	24/06/2011
Gas Servicing - Aire Valley Homes Leeds	Good Assurance	Acceptable Assurance	Moderate	Environment & Neighbourhoods	30/06/2011
Keystone Asset Management - Aire Valley Homes Leeds	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	08/07/2011
Lettings Enforcement Quarters 3 & 4 - West North West Homes Leeds	Acceptable Assurance	Acceptable Assurance	Minor	Environment & Neighbourhoods	12/07/2011

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Organisational Impact		
Responsive Repairs - West North West Homes Leeds	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	14/07/2011
Keystone Asset Management - West North West Homes Leeds	Acceptable Assurance	Acceptable Assurance	Minor	Environment & Neighbourhoods	18/07/2011
Responsive Repairs - Aire Valley Homes Leeds	Acceptable Assurance	Good Assurance	Minor	Environment & Neighbourhoods	27/07/2011
Corporate Governance - West North West Homes	Good Assurance	N/A	Minor	Environment & Neighbourhoods	01/09/2011

4.6. As can be seen, there are a small number of school 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.

4.7. 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.

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

Section 2

SUMMARY OF AUDIT ACTIVITY AND KEY ISSUES

A summary of reports issued within each assurance block is included in the table at 4.5. The following section highlights any key issues and outcomes where Internal Audit have added value to the organisation within each assurance block.

5.1 Financial Systems

The level of assurance provided for all key financial systems was acceptable or higher and in all cases an action plan has been agreed with the appropriate officers that, if implemented, will give substantial control environment assurance.

5.2 Business Analysis and VFM

5.2.1 Business Process Re-engineering (BPR) reports issued

Children's Transport Efficiency

The Children's Transport Efficiency Group requested a review of the current business processes operated by the Client Services Team within Passenger Transport Services and to provide options on potential areas where efficiencies could be achieved. This included a review of the Council's transport policy which provides the foundation for customer eligibility criteria.

The review highlighted that were LCC to review the provisions of its Children's Transport policy in line with those of other authorities and/or make some changes to the business processes, efficiency savings could be achieved. Based on a sample of responses from SEN Co-ordinators to a questionnaire on travel arrangements, the review highlighted the potential to consider the needs of existing users in relation to transport and to look at whether alternative, more independent methods of travel are appropriate within the authority's policy and guidelines. Based on the sample of responses from professionals, the potential to reduce demand on the service was approximately £76k. A follow up review will be undertaken later in the year to evaluate progress made against the opportunities and recommendations made in the report.

5.2.2 BPR on-going work

Demand from Directorates for Business Process Re-engineering resources on projects and programmes remains extremely high across the authority. A number of projects are currently on-going within Adult Social Care, Children's Services and within the Business Transformation Team's Changing the Workplace programme.

Within Adult Social Care, as part of the Business Systems Transformation (BST) Programme, a number of workshops have been facilitated by the Business Analysts to develop existing processes and practice. The workshops have focused on 5 key areas;

1. The receipt and screening of referrals;
2. Assessment and unscheduled reviews;
3. The approval of care options;
4. Scheduled reviews;
5. Policy, procedures and guidance.

The workshops have successfully engaged a large cross-section of staff and management from across Adult Social Care. The resulting to-be processes are scheduled to be presented to key stakeholders within the Directorate during September.

The Business Analysts are currently working with the project team within Children's Services to produce the business system requirements covering Fostering, Adoption and Finance for the replacement Social Care System.

In addition, the Internal Audit Business Analysis team were commissioned by the Business Transformation team to support the Changing the Workplace programme. The analysts have reviewed a number of Council services to understand and assess their state of readiness for migration to a City Enquiry Centre, and defined new service delivery models for each of the appropriate services for migration.

The team are also working with Leeds Revenues and Benefits Service on the Electronic Document and Records Management System (EDRMS) Project for the Changing the Workplace Programme. Initially, the analysts are undertaking the first phase of the project to understand and baseline current work processes.

5.3 Internal Control and Compliance

5.3.1 Overtime

Background

The Payroll audit of 2010/11 again reported that the Processing Teams at the Business Support Centre (BSC) do not maintain up-to-date signatory lists to check the validity of all temporary variations (i.e overtime) claims. Instead, reliance is placed on budget monitoring undertaken at Directorate level to ensure that all claims made are valid.

Audit testing was undertaken to verify the appropriateness of the signatories in the absence of checks being undertaken by the Processing Teams. The testing found that in 10/30 cases the requests did not appear to have been authorised at an appropriate level within the Directorate. For these claims, BSC advised Internal Audit that informal arrangements are in place with the Service Areas to allow specified individuals to submit the overtime claims, however these arrangements are not documented.

Scope

Given the control weakness, in order to gain assurance on the validity of overtime claims, Internal Audit has tested a sample of 35 claims (25 employees selected at random plus the 10 identified during the Payroll audit.) Testing was undertaken to ensure that there is sufficient evidence to support the hours worked and that the authorisation of the claims is appropriate.

Of the 35 overtime claims tested, these were found to be generally satisfactory.

Outcomes

Internal Audit has put forward a series of recommendations to strengthen the controls for overtime payments, without adding excessive bureaucracy, for example requesting budget holders to give additional scrutiny to the overtime charged to their budgets on a monthly basis, and reminders to ensure relevant documentation is retained to support overtime payments. In addition, Internal Audit will review the authorisation checking process that is due to be introduced within BSC pending the introduction of the Self Service facility and also undertake periodic sample checks within the areas of high spend, making system improvement recommendations where appropriate.

External Audit have been able to place reliance on our additional work to satisfy themselves that the control weakness will not have an impact on their audit opinion for the 2010/2011 financial statements.

5.3.2 Third Party Monies

Following a number of whistleblowing allegations received by Internal Audit (as detailed in the Counter Fraud and Corruption section below) in respect of LCC staff misappropriating client monies, Internal Audit is reviewing the central controls in place to safeguard vulnerable adults from financial abuse. Internal Audit, in conjunction with Adult Social Care, has issued a notification to all teams that have contact with the money of vulnerable adults to advise that Internal Audit will be undertaking establishment visits to make sure that the policies and procedures in place to safeguard customer monies are being followed. The establishments will be risk assessed and visits will be undertaken over the next 2 months.

5.4 **Procurement, Monitoring and Improvement**

5.4.1 Responsive Repairs and Void Works Contractor

Following an extensive procurement exercise managed by the Council's procurement unit, a Contractor was awarded the contracts to deliver the responsive repairs, voids works, capital improvements service for WNWHL and responsive repairs, void works, capital improvement and gas servicing services for AVHL. Letters of intent have been signed by the Council and the Contractor and negotiations on the detail of the header agreement are continuing.

The contracts went live on 1st April 2011 and since then the level of service being delivered is well below acceptable standards. The Council and the ALMOs have been actively working with the Contractor on a joint improvement programme which has seen some progress recently in moving the service back to the acceptable levels. There is more to do and joint work will continue.

The contract management structure is in place and Internal Audit are engaged in this process. Internal Audit are currently in negotiations with the Contractor, through the contract management processes, to agree a date for the first open book review.

5.4.2 Open Book Review – Youth Services Provider

An open book review was undertaken on a 3 year contract with a provider of an information, advice and guidance service for young people in the Leeds area. The total value of funding over the contract was approximately £10m. This was subsequently reduced in value by negotiation to £8.3m.

The audit review was to determine whether the financial and non financial monitoring of the contract was robust, and that payments made were based on the prices agreed in the original tender.

The review concluded the following:

Limited Control Environment

- Lack of evidence to demonstrate there was a robust system in place for monitoring the outputs and financial spend against budget on the contract in 2009/10. It should be noted that the contract was principally outcome focused and not wholly output based.
- There had not been comprehensive reporting against KPI's as stipulated in the approved tender.
- The contract monitoring team was evolving and consequently there were differing practices in terms of contract monitoring and reviews of performance. Contract monitoring roles and responsibilities required clarification.

No assurance was provided for compliance with controls. With respect to the actual spend in year 1, it was identified that £269,158 of costs attributed to this contract could not in the auditors view be justified. Legal advice was sought in relation to some of the costs included in the organisation's expenditure. The payment of some of the costs was permitted due to the budget reductions applied to the contract.

The contract is a fixed price contract and does not have a facility for financial clawback. Financial repayment or penalty could only be imposed if the contract's performance management framework was applied. The use of the framework was not considered necessary by the contract management team based on performance on the contract against existing performance measures.

During 2010/11, there were changes in staff responsibilities and line management for the contract. A new contract monitoring team has now been established and it is understood that steps have been taken to improve financial monitoring of the contract.

Following the review, the Director of Children's Services outlined a number of actions to be taken and confirmed that the Directorate would make urgent improvements and provide improved assurance. An action plan was agreed and the Directorate is prioritising the areas of highest risk i.e. improved contract management processes.

A follow up audit will be conducted later in the year to assess progress towards implementation of recommendations and re-evaluate the level of assurance based on the findings.

5.5 Counter Fraud and Corruption

5.5.1 Referrals

A total of 41 referrals have been received by the Internal Audit Fraud and Corruption team since 1st April 2011, and there are 30 ongoing investigations.

- 16 cases are currently being investigated by the Fraud team;
- 6 are waiting for investigation by the Fraud team;
- 5 have been referred to a Directorate or HR for investigation and the Fraud team is awaiting their responses;
- 3 are awaiting the outcome of police and/or disciplinary action before they can be closed.

In addition:

- 31 cases investigated relating to the current and prior year have been closed.

A list of investigation reports issued to date during 2011/12 is shown in the table below:

Report Title	Date Issued
Honoraria Payments	27/06/11
Voluntary Sector Organisation – Elderly	08/07/11
Fraudulent Insurance Claim	08/07/11
Provider of disabled facilities	15/07/11
Grievance Procedure	20/07/11
Primary School	02/08/11
Concerns re Benefit Fraud Investigation	03/08/11
Employee salary deductions for permits	04/08/11

- 37 referrals not subject to a fraud investigation were closed. These were recorded for reference only or referred to other agencies, local authorities or teams within Internal Audit (for example, fraudulent direct debits which will be covered as part of the review of Creditors.)

5.5.2 Major Investigations

(a) Completed cases

Primary school 1

Following the identification of discrepancies in cash and banking by the Finance Officer, an investigation at a school was completed where it was identified that over £35k was missing from the school's extended schools

income, dinner money income, petty cash and school voluntary fund. Police and disciplinary investigations are ongoing. This occurred due to a lack of segregation of duties controls, pre and post banking checks and reconciliation and review of records by a senior officer.

Systems weaknesses and findings to address these have been included in the report provided to the school's Governing Body. A claim has currently been made on the authority's insurance to recover the monies, although reimbursement of these are being sought from the suspect as part of the criminal case.

Primary School 2

This audit was carried out after anomalies were identified by the school in the School Voluntary Fund. An employee has subsequently admitted in an Interview Under Caution to theft and has been dismissed. The criminal case is on-going, however it is believed that over £23k was misappropriated over a number of years. This occurred due to a lack of controls over the unofficial fund bank accounts held by the school, records held for these and the reconciliation and review of records not being undertaken by a second officer.

Systems weaknesses and findings to address these have been included in the report provided to the school's Governing Body. A claim has currently been made on the authority's insurance to recover the monies, although reimbursement of these is being sought from the suspect as part of the criminal case.

Parking Permits

Subsidised charges were introduced in April 2009 for city centre parking permits provided to employees. Investigations revealed that 19 employees, who were provided with permits, were not being charged (one employee is now paying for their permit.) Failure to collect associated income from these employees resulted in an estimated loss of £22k, to the end of March 2011.

A report has been issued to management on our findings, including the recommendation that the staff are charged for the uncollected salary contributions so these funds can be recovered.

(b) On-going work

Adult Social Care establishment

An investigation is currently being undertaken at an establishment regarding the suspected theft of monies by a Support Worker. Approximately £27k is believed missing to date, however, the final figure is yet to be determined. The thefts occurred due to a lack of checks to bank statements, invoices and receipts and misunderstanding amongst staff regarding what they were supposed to check when they counter-signed transactions.

Systems weaknesses and findings to address these are to be included in a report to the Director of Adult Social Care and it is envisaged that new guidelines will be drawn up for staff and managers at all such establishments to prevent any form of reoccurrence of this type of fraud.

This investigation is being carried out jointly with the Police and a disciplinary investigation is also being undertaken.

Section 48 team investigation

An investigation has been undertaken with regard to the alleged theft of monies from the account of a deceased client by an employee on our Receivership team. This employee has resigned and admitted to the theft of at least £17k. However the final figure missing is yet to be determined by the police. Significant control weaknesses have been found and work is ongoing with the directorate to improve the systems in place. The Police are continuing to investigate this case.

5.5.3 Proactive Work

Bribery Act 2011

A review has been undertaken of the Bribery Act 2010 and the guidelines issued on its implementation in March 2011. These have then been assessed against our current arrangements to prevent our staff being accused of bribery and corruption and any further action needed to implement the legislation has been identified.

Further details of this work can be found in the full report being provided to the Corporate Governance and Audit Committee on the subject.

5.6 Schools

A number of school audits have been conducted during the year to date which have resulted in limited assurance. Weaknesses in controls and compliance with controls have been identified in school voluntary funds, petty cash, school meals, school trips, creditor payments and payroll. For each school, an action plan has been agreed with the Headteacher which gives recommendations to improve the level of assurance given. Follow up audits will be conducted later in the year for reports where limited assurance has been provided to assess progress towards implementation of recommendations and re-evaluate the level of assurance based on the findings.

5.7 Policies and Procedures

5.7.1 Financial Procedure Rules

The team is currently undertaking a review of Financial Procedure Rules (FPR's) to ensure that:

- they are fit for purpose, accessible and relevant to the business of the council; and
- disseminated, promoted and embedded throughout the council by developing and implementing a communications plan.

Our aim is to promote the principle of 'good housekeeping' with respect to the management of council assets and resources, and to remind employees of their public sector values.

5.7.2 Whistleblowing Policy

Internal Audit continues to act as the custodians of the Council's Whistleblowing Policy. As detailed above, in 2011/12 to date, Internal Audit has dealt with a total of 41 potential irregularity referrals.

It has been identified that a large proportion of recent referrals relate to the following areas:

- Schools and establishments, usually in the form of the theft of Leeds City Council, unofficial fund or vulnerable adults monies by trusted employees;
- Disclosure/ misuse of confidential information;
- Misuse of council resources by our employee's, usually vehicles, materials and time;
- Our involvement with third/ voluntary sector organisations, particularly allegations regarding obtaining funding for services not provided and how they utilise their resources in the current economic climate.

We hope to direct proactive work on these areas by reminding managers of the need for key controls to be maintained, revising the Financial Procedure Rules to make them more accessible and are receiving training ourselves on information governance legislation in order to better investigate confidentiality breaches.

5.8 Head of Audit Assurances

5.8.1 Bus Operators Grant Claim

Internal Audit review the grant claim on a six monthly basis. The detailed work completed in order to provide information on ineligible travel led to the level of ineligible miles reducing for both Adult and Children's services. The net effect of this is an increase in income to the Council of £5.2k.