



Leeds
CITY COUNCIL

Internal Audit

**Annual Report and Opinion
2013 / 2014**

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Section 1

INTRODUCTION

1.1 The Annual Reporting Process

1.1.1 Management is responsible for the system of internal control and must set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Corporate Governance & Audit Committee (CG&AC) and the Deputy Chief Executive, Internal Audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.¹

1.1.2 The Corporate Governance and Audit Committee's terms of reference include the consideration of the Council's arrangements relating to internal audit requirements including considering the annual internal audit report and monitoring the performance of internal audit.

1.1.3 This report is the culmination of the work during the course of the year and seeks to provide an internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems. In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit² must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. This annual report incorporates:

- The Head of Internal Audit's opinion on the organisation's control environment;
- A summary of the work that supports the opinion; and
- A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

1.2 Requirement for Internal Audit and Internal Audit Standards

1.2.1 A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

¹ Public Sector Internal Audit Standards definition of Internal Auditing.

² The Head of Internal Audit within LCC is the 'Chief Audit Executive' as defined in the Public Sector Internal Audit Standards. *The Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the 'Definition of Internal Auditing', the 'Code of Ethics' and the 'Standards.'* (PSIAS.)

- 1.2.2 The authority 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.
- 1.2.3 The Accounts and Audit (England) Regulations 2011 - that came into force on the 31st March 2011 and revoked the Accounts and Audit Regulations (England) 2003 - maintain the requirement for relevant bodies to have a sound system of internal control and conduct a review at least once a year of the effectiveness of its internal audit.
- 1.2.4 1st April 2013 saw the introduction of the new United Kingdom Public Sector Internal Audit Standards that apply across the whole of the public sector. The PSIAS are based on the Chartered Institute of Internal Auditors (IIA) Standards, with a limited number of additional requirements and interpretations that allow PSIAS to be adapted for the public sector.
- 1.2.5 The PSIAS replaced the Code of Practice for Internal Audit in Local Government in the UK – last revised in 2006 – with effect from 1st April 2013. The objectives of the PSIAS are to define the nature of internal auditing and set basic principles for carrying out this work in the UK public sector; to establish a framework for providing internal audit services and establish the basis for evaluation of performance and drive improvement planning.
- 1.2.6 The requirements of the PSIAS in relation to the annual report are detailed above at 1.1. In addition, the PSIAS require that the Head of Internal Audit must confirm to the Corporate Governance and Audit Committee at least annually, the organisational independence of internal audit activity.
- 1.2.7 The PSIAS require the responsibility for the management of Internal Audit to be set with the Board. In practical terms, this Board responsibility is vested in the Corporate Governance and Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the Council.
- 1.2.8 The Committee were presented with a report on the PSIAS during November 2013. This informed members of the new standards, the Internal Audit Quality Assurance and Improvement Programme as defined by the Standard, and provided an assurance on compliance with these.

1.3 Organisational Independence

- 1.3.1 As detailed in the Internal Audit Charter, the Head of Internal Audit must report to a level within the Council that allows Internal Audit to fulfil its responsibilities. Organisational independence is effectively achieved at LCC in that the Head of Internal Audit reports functionally to the Corporate Governance and Audit Committee. The Head of Internal Audit reports administratively (i.e. day to day operations) to the Chief Officer (Audit and Investment.)

1.3.2 Examples of functional reporting to the Corporate Governance and Audit Committee include:

- Approval of the internal audit charter;
- The Head of Internal Audit having direct and unrestricted access to Corporate Governance and Audit Committee and its Chair;
- Receiving communications from the Head of Internal Audit on Internal Audit's performance and activity.

1.3.3 As set out in the authority's Financial Regulations, Internal Audit is responsible for conducting its work in accordance with professional standards. Financial Regulation 11 states that: *'The Head of Internal Audit must be able to report without fear or favour, in their own name to the Chief Executive, the Executive Board, the Corporate Governance and Audit Committee and the scrutiny function.'*

Section 2

REVIEW OF INTERNAL CONTROL AND OPINION

2.1 Opinion 2013/14

- 2.1.1 The Public Sector Internal Audit Standards (Performance Standard 2450) state that *'the Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.'* This must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems:

On the basis of the audit work undertaken during the 2013/14 financial year, there are no outstanding significant issues arising from the work undertaken by Internal Audit.

Furthermore, on the basis of the audit work undertaken during the 2013/14 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.

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

The Internal Audit activity conforms with the International Standards for the Professional Practice of Internal Auditing.³

2.2 How Internal Control is reviewed

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

³ The Public Sector Internal Audit Standards is the application of the Institute of Internal Auditors (IIA) International Standards to the UK Public Sector

audits that are undertaken during the course of the year to support the overall opinion on the control environment.

2.2.2 The Public Sector Internal Audit Standards define control as “any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.” In practice, the main types of controls which may be present are:

- Segregation of duties
- Organisational
- Authorisation and Approval
- Physical
- Supervision
- Personnel
- Arithmetical and accounting
- Management

2.2.3 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.

2.2.4 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.

2.2.5 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.

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

| Control Environment Assurance | | |
|-------------------------------|------------------------------|--|
| | Level | Definitions |
| 1 | Substantial Assurance | There are minimal control weaknesses that present very low risk to the control environment. |
| 2 | Good Assurance | There are minor control weaknesses that present low risk to the control environment. |
| 3 | Acceptable Assurance | There are some control weaknesses that present a medium risk to the control environment. |
| 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 |

| Control Environment Assurance | |
|-------------------------------|--|
| Level | Definitions |
| | 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. |

2.2.7 Organisational impact is reported as either major, moderate or minor. Any reports with major organisational impacts are reported to Corporate Leadership Team along with the appropriate directorate’s agreed action plan and then to Corporate Governance & Audit Committee as part of the regular update reports.

| 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. |

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

| Opinion for Compliance Audits – Levels of Compliance | |
|--|--|
| Level | Definitions |
| 1 | High There was significant compliance with agreed policy and/or procedure with only minor errors identified. |
| 2 | Medium There was general compliance with the agreed policy and/or procedure. Although errors have been identified these are not considered to be material. |
| 3 | Low There was limited compliance with agreed policy and/or |

| Opinion for Compliance Audits – Levels of Compliance | |
|--|---|
| Level | Definitions |
| | procedure. The errors identified are placing system objectives at risk. |

2.3 Basis of Assurance

2.3.1 The annual opinion on the adequacy and effectiveness of the control environment for 2013/14 is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The 2013/14 plan and audit coverage has followed the same principles as agreed in previous years, i.e. based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in year risks, rather than a more traditional cyclical approach that looks at each system over a number of years.

2.3.2 The key areas of assurance are as follows:

2.3.3 Key Financial Systems

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

As previously, the key financial systems subject to audit were agreed in advance with the authority's external auditors KPMG as they review this work and use this as a key source of assurance on the organisation. KPMG has reviewed the majority of internal audit's work on key financial systems in 2013/14 and did not raise any concerns over the timeliness, quality and supporting evidence.

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

2.3.4 Compliance Reviews

Coverage in this area is underpinned by an assessment of the Council's framework of internal controls (often underpinned by policies and procedures) and included those core areas where a high level of compliance is necessary for the Council to carry out its functions properly. These compliance checks are carried out on the key areas whilst ensuring that the impact of non-compliances are understood in the context of the organisation as a whole to further develop a control environment that is proportionate and effective in the current climate. This work has included an element of challenge of the existing controls to ensure they are modern, effective

and proportionate – a number of times the outcomes have reduced bureaucracy. For example, revised guidance and controls over travel and subsistence expenditure have recently been launched to include recommendations made by Internal Audit in this area. This assurance block also included a number of unannounced visits covering different types of establishment and provided assurance over the adequacy of cash and income controls. The compliance assurance block has provided assurances that are critical to the S151 Officer and, as it provides assurance across all Directorates, underpins the Head of Internal Audit opinion on the control environment.

2.3.5 Cross Cutting Assurances

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

2.3.6 Spending Money Wisely

As reported to the Corporate Governance and Audit Committee throughout 2013/14, significant progress has been made in raising awareness of Spending Money Wisely across the council and promoting a Spending Money Wisely culture and Internal Audit continue to work on this key area.

Approximately 600 staff ideas have been submitted with suggestions and feedback on saving money and improving services. Internal Audit is progressing these ideas as previously reported to Corporate Governance and Audit Committee, and updates have also previously been provided to the Chief Executive, Deputy Chief Executive, Financial Services Management Team and Finance Strategy Group.

Internal Audit has continued to review samples of transactions from the monthly lists of published payments (over £500) throughout 2013/14. The aim of the reviews is to raise awareness of Spending Money Wisely and embed this in the council's culture; and to act as a deterrent to staff against any spending that does not provide value for money. This work provides assurance that value for money is a consideration by authorising officers before expenditure is committed and that there is a medium level of compliance with the requirements of Contracts Procedure Rules.

Internal Audit continues to work on a number of Spending Money Wisely reviews. In order to identify areas where Spending Money Wisely/VfM work should be carried

out, a prioritisation methodology has been developed to direct resources accordingly. The methodology applies a number of assessment criteria including efficiency and financial implications as well as risk, and the potential to improve public services.

2.3.7 [Anti-Fraud and Corruption](#)

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

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

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

Whistleblowing protocols have been re-established during the year with directors as a means of embedding a clear and consistent approach towards the handling of whistleblowing referrals. This element of work is central to maintaining the Council wide commitment to encouraging a culture in which concerns can be raised confidently and without fear of reprisal. Alongside this, a review has taken place of both the Whistleblowing and Raising Concerns policies to ensure that clear and relevant guidance is offered upon how and when concerns should be raised around any aspect of the Council's work. The review took into account recent changes to Public Interest Disclosure legislation, and the Committee Members were consulted and invited to provide comment prior to the publication of the updated policies.

2.3.8 [Risk Based Reviews](#)

A number of risk based reviews were undertaken during the year (including several follow up reviews in areas with limited assurance to assess progress towards implementation of recommendations.) These have been another key element of the assurance on the entire control environment of the authority. Each review sought to deliver an assurance on the systems for efficiency, effectiveness and economy.

2.3.9 [Housing Partnerships Assurance Framework/External Work](#)

As in previous years, Internal Audit was commissioned by Housing Partnerships to undertake a suite of audits as part of the former ALMO/BITMO Assurance Framework. These provide certain assurances in relation to elements of the Housing

Partnerships monitoring function and for key risk areas in the BITMO and each of the former ALMOs.

In addition, the Section provides audit coverage of a number of grant claims and external work including school voluntary funds. During 2013/14, Internal Audit provided assurance on more than £13 million of grant claims on behalf of the authority. Income generated by the Section through contract work for former ALMOs/BITMO, school voluntary fund audits and other external assurance work was in excess of £197,000 for 2013/14.

During 2013/14, Internal Audit were selected to provide audit services to TdFHUB2014 Ltd – the company responsible for overseeing the delivery of the first three stages of the 2014 Tour de France – covering the following areas.

- Governance Arrangements
- Risk Management Review
- Grant Funding Review
- Follow up review of high priority recommendations made

Some of this work was completed during 2013/14 with the remainder being undertaken during the first quarter of 2014/15.

2.3.10 Areas of Weakness

For each area of assurance, there have been instances where the control environment was not strong enough or complied with sufficiently to prevent risks to the organisation. In these cases, Internal Audit has made recommendations to further improve the systems of control and compliance. Although significant to the control environment in place for the individual system areas that have been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the Council's control environment at the year end. Furthermore for the reviews undertaken during 2013/14, if the risks highlighted materialised, it was concluded in each of these reviews that these would not have a major impact on the organisation as a whole. Further reviews in each area where limited assurance has been given are scheduled to be completed to ensure that the recommendations have been adopted and the suggested controls are working well in practice.

2.3.11 Other Work

Internal Audit has undertaken other work in a number of areas. These included:

- Sundry Income write offs over £5k
- Purchasing Card Year End Transactions
- Spending Money Wisely Ideas – September 2013 referrals to Directorates (Cross Cutting)

- Spending Money Wisely Ideas – October 2013 referrals to Strategy and Resources Directorate
- Off Contract Spend – System Review Programme
- Improving the efficiency within the creditors process
- Parking Permits

Internal Audit has continued to provide advice on a wide range of issues including interpretation of Contract Procedure Rules and Financial Procedure Rules, and on risks and controls within individual systems or processes. Internal Audit provides clear, risk based recommendations with a view to reducing bureaucracy whilst still maintaining a robust control environment. There have been 28 such requests for advice during the year.

2.4 Summary of Completed Audit Reviews

This section provides a summary of all reports issued since 23rd May 2013. Audit reviews completed from 1st April 2013 to 22nd May 2013 were reported in the Internal Audit Annual Report for 2012/13. All reviews up to 28th February 2014 where the audit opinion was limited for either the control environment or compliance with procedures have already been highlighted to CG&AC in the internal audit update reports throughout the year. There have been no reports issued with this opinion in the period 1st March to 31st May 2014.

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

| Report Title | Audit Opinion | | | Directorate | Date Issued |
|--|---------------------|-------------|-----------------------|------------------------|-------------|
| | Control Environment | Compliance | Organisational Impact | | |
| Key Financial Systems | | | | | |
| West Yorkshire Pension Fund 2012/13 – Year End Returns | Substantial | | N/A | Strategy and Resources | 29/05/2013 |
| Sundry Income - charges for meals for Fulfilling Lives sites | N/A | Good | N/A | Adult Social Care | 04/06/2013 |
| Year End Reconciliation – Civica to Financial Management System (FMS) | Substantial | | N/A | Strategy and Resources | 04/06/2013 |
| Daily reconciliations of Income Management System (IMS) to Financial Management System (FMS) at the year end | Substantial | | N/A | Strategy and Resources | 04/06/2013 |
| Business Application Audits (Summary Report) | Substantial | Substantial | Minor | Strategy and Resources | 25/07/2013 |
| Bank Reconciliation and Cash Book | Substantial | N/A | Minor | Strategy and Resources | 02/08/2013 |
| Corporate Financial Management – Central Controls | Substantial | Substantial | Minor | Strategy and Resources | 09/08/2013 |
| Business Rates – Year End Reconciliation | Substantial | | N/A | Strategy and Resources | 09/08/2013 |

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| Report Title | Audit Opinion | | | Directorate | Date Issued |
|--|---------------------|-------------|-----------------------|--------------------------|-------------|
| | Control Environment | Compliance | Organisational Impact | | |
| Council Tax – Year End Reconciliation | Substantial | | N/A | Strategy and Resources | 09/08/2013 |
| Payroll Year End Reconciliations | Substantial | | N/A | Strategy and Resources | 23/08/2013 |
| Creditors Module to Ledger Module (in Financial Management System) - Year End Reconciliation | Substantial | | N/A | Strategy and Resources | 02/09/2013 |
| Community Care Finance | Good | Good | Minor | Adult Social Care | 02/09/2013 |
| Housing Benefit and Council Tax Benefit Year End Reconciliation | N/A | Substantial | N/A | Strategy and Resources | 03/09/2013 |
| Housing Rents Year End Reconciliation | N/A | Substantial | N/A | Strategy and Resources | 10/09/2013 |
| Capital Programme Central Controls | Good | Good | Minor | Strategy and Resources | 28/10/2013 |
| Community Care Assessments (Non-Residential) | Good | Good | Minor | Adult Social Care | 02/01/2014 |
| Central Sundry Income | Substantial | Substantial | Minor | Strategy and Resources | 07/01/2014 |
| Income Management System | Substantial | N/A | Minor | Strategy and Resources | 07/01/2014 |
| Business Rates | Substantial | N/A | Minor | Strategy and Resources | 08/01/2014 |
| Housing Benefit – Local Welfare Support Scheme (LWSS) | Good | Substantial | Minor | Citizens and Communities | 09/01/2014 |
| East Moor Children’s Centre Sundry Income | Substantial | Good | Minor | Children’s Services | 14/01/2014 |
| Housing Rents | Substantial | Substantial | Minor | Environment and Housing | 14/01/2014 |
| Highways and Transport – Permit Scheme - Sundry Income | Good | Good | Minor | City Development | 05/02/2014 |
| Community Care Finance | Good | N/A | Minor | Adult Social Care | 12/03/2014 |
| Treasury Management & Bankline | Substantial | Substantial | Minor | Strategy and Resources | 12/03/2014 |
| West Yorkshire Integrated Transport Authority Assurance | Substantial | Substantial | Minor | External | 12/03/2014 |
| Leeds Benefit service (LBS) fraud team | Substantial | N/A | Minor | Citizens and Communities | 28/03/2014 |
| Benefits - Reconciliations | Substantial | N/A | Minor | Citizens and Communities | 01/04/2014 |
| Benefits – Assessment and Payments | Substantial | Good | Minor | Citizens and Communities | 01/04/2014 |
| Council Tax | Substantial | N/A | Minor | Citizens and Communities | 16/04/2014 |
| BSC – Payroll and HR Administration | Substantial | Substantial | Minor | Strategy and Resources | 24/04/2014 |
| BSC - Central Payments Service | Substantial | Substantial | Minor | Strategy and Resources | 22/05/2014 |
| Corporate Financial Management Central Controls | Substantial | N/A | Minor | Strategy and Resources | 23/05/2014 |

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| Report Title | Audit Opinion | | | Directorate | Date Issued |
|--|---|-------------|-----------------------|--|-------------|
| | Control Environment | Compliance | Organisational Impact | | |
| Civic Enterprise Central Payments System | Substantial | Good | Minor | Civic Enterprise Leeds | 27/05/2014 |
| Strategy and Resources Central Payments System | Substantial | Substantial | Minor | Strategy and Resources | 27/05/2014 |
| West Yorkshire Pension Fund Year End Returns 2013/14 | Assurance provided on year end returns | | | Strategy and Resources | 29/05/2014 |
| Spending Money Wisely | | | | | |
| Spending Money Wisely Challenge – November 2012 | N/A | Medium | N/A | Cross Cutting | 30/05/2013 |
| Spending Money Wisely Challenge – December 2012 | N/A | Medium | N/A | Cross Cutting | 08/07/2013 |
| Spending Money Wisely Ideas Service – Credit Card Surcharges | A review of one suggestion made to the Spending Money Wisely Ideas service <i>‘that the authority should charge a fee for handling credit card payments to recover the processing fees incurred in handling the payments by the bank’</i> was undertaken. | | | Strategy and Resources | 08/08/2013 |
| Spending Money Wisely Challenge – January 2013 | N/A | Medium | N/A | Cross - Cutting | 12/09/2013 |
| Spending Money Wisely Challenge – February and March 2013 | N/A | Medium | N/A | Cross - Cutting | 24/09/2013 |
| Procurement | | | | | |
| Oulton Primary School Contract Review | Acceptable | Acceptable | Minor | Children’s Services | 21/05/2013 |
| Supply of Library Materials Contract Review | Acceptable | Good | Minor | City Development | 13/06/2013 |
| Children’s Services Contract Review | Acceptable | Acceptable | Minor | Children’s Services | 17/06/2013 |
| Passenger Transport Framework Contract Monitoring Review | Limited | Good | Moderate | Civic Enterprise Leeds | 01/07/2013 |
| Urban Traffic Management Contract Review | Good | Good | Minor | City Development | 03/07/2013 |
| Middleton Park Restoration Capital Audit | Good | Acceptable | Minor | Environment and Housing | 03/07/2013 |
| Learning and Development Contract | Acceptable | Acceptable | Minor | Strategy and Resources | 09/09/2013 |
| Beckett Park Refurbishment Capital Review | Good | Acceptable | Minor | Children’s Services/City Development | 26/09/2013 |
| Tender Evaluations | Acceptable | Acceptable | Minor | Strategy and Resources | 29/10/2013 |
| Capital Project Review – City Centre One Stop Refurbishment | Acceptable | Acceptable | Minor | Strategy and Resources | 29/04/2014 |
| Leeds Flood Alleviation Scheme | N/A – high level review of governance arrangements | | | City Development | 29/04/2014 |
| Risk Based Reviews | | | | | |
| Telecare | Acceptable | N/A | Minor | Adult Social Care | 25/07/2013 |
| Corporate Property Management (Repairs and Maintenance) – Systems and Processes Follow Up Review | Good | N/A | Minor | City Development/ Strategy and Resources | 26/07/2013 |

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| Report Title | Audit Opinion | | | Directorate | Date Issued |
|--|---------------------------------|--|-----------------------|-------------------------|-------------|
| | Control Environment | Compliance | Organisational Impact | | |
| Fairer Charging Assessments | Good | Good | Minor | Adult Social Care | 01/08/2013 |
| Leaving Care Payments | Limited | Limited | Moderate | Children's Services | 09/08/2013 |
| Client Monies – Learning Disability Community Support Service | Good | Joseph Court – Limited | Moderate | Adult Social Care | 09/10/2013 |
| | | Westerton 'A' – Acceptable | | | |
| | | Albert Court - Good | | | |
| Section 48 House Searches and Appointees Follow Up Review | Acceptable | Good | Minor | Adult Social Care | 10/12/2013 |
| Legal, Licensing and Registration Services – Registrars Income | Acceptable | Good | Minor | Strategy and Resources | 02/01/2014 |
| Transitions Process For Disabled Young Persons into Adulthood | Good | Good | Minor | Adult Social Care | 19/03/2014 |
| Planning Decisions | Substantial | Substantial | Minor | City Development | 02/04/2014 |
| Grants to Third Sector Organisations | Acceptable | Acceptable | Moderate | Environment and Housing | 22/05/2014 |
| Grants to Third Sector Organisations | Acceptable | Good | Minor | City Development | 22/05/2014 |
| Schools | | | | | |
| Central financial controls of local authority maintained schools | Good | N/A | Minor | Children's Services | 23/05/2014 |
| Wetherby High School 6 th form Bursary and follow up review | N/A | 6 th form funding and bursary fund - Medium | Minor | Children's Services | 27/05/2014 |
| | N/A | General school audit (follow up) - Good | Minor | | |
| Housing Partnerships Assurance Framework Reviews | | | | | |
| Housing Partnerships Lettings Self-Assessment: former ALMOs/BITMO | N/A – Review of Self-Assessment | | | Environment and Housing | 14/06/2013 |
| ALMO Business Centre Leeds – Payroll | Good | Good | Minor | Environment and Housing | 12/07/2013 |
| Tenancy Enforcement (Tenancy Fraud Follow up visit) – West North West Homes | N/A | Good | N/A | Environment and Housing | 12/07/2013 |
| ALMO Business Centre Leeds – Financial Management Central Controls | Acceptable | Acceptable | Minor | Environment and Housing | 05/08/2013 |
| ALMO Business Centre Leeds – Treasury Management and Bank Reconciliations | Acceptable | Acceptable | Minor | Environment and Housing | 05/08/2013 |
| Belle Isle Tenant Management Organisation – Information Governance (Freedom of Information & Data Protection Act requests) | Limited | Limited | Moderate | Environment and Housing | 05/08/2013 |
| Creditors (combined report – ALMO Business Centre Leeds, Aire Valley Homes Leeds, East North | Acceptable | Acceptable | Minor | Environment and Housing | 21/08/2013 |

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| Report Title | Audit Opinion | | | Directorate | Date Issued |
|--|---------------------------------|------------|-----------------------|-------------------------|-------------------------|
| | Control Environment | Compliance | Organisational Impact | | |
| East Homes Leeds, West North West Homes Leeds) | | | | | |
| Tenancy Fraud Shared Audit: BITMO/former Aire Valley Homes/East North East Homes | N/A – Review of Self-Assessment | | | Environment and Housing | 01/10/2013 & 22/11/2013 |
| Estate Environment Self-Assessment: BITMO/former ALMOs | N/A – Review of Self-Assessment | | | Environment and Housing | 08/10/2013 & 31/10/2013 |
| Former West North West Homes Asbestos Management | Acceptable | N/A | N/A | Environment and Housing | 17/12/2013 |
| Former West North West Homes Rent Arrears | N/A | Good | N/A | Environment and Housing | 17/12/2013 |
| Former East North East Homes Gas Servicing | Acceptable | Acceptable | N/A | Environment and Housing | 14/01/2014 |
| Former East North East Homes Payroll | Good | N/A | N/A | Environment and Housing | 06/02/2014 |
| Former West North West Homes Payroll | Good | N/A | N/A | Environment and Housing | 06/02/2014 |
| Former Aire Valley Homes Payroll | Good | N/A | N/A | Environment and Housing | 06/02/2014 |
| Former ENEHL Creditors | N/A | Acceptable | N/A | Environment & Housing | 17/04/2014 |
| Former AVHL Creditors | N/A | Acceptable | N/A | Environment & Housing | 17/04/2014 |
| Former WNWHL Creditors | N/A | Acceptable | N/A | Environment & Housing | 17/04/2014 |

| Compliance Area | Report Title | Level of Compliance Assurance | Directorate | Date Issued |
|---------------------------|--|-------------------------------|--------------------------|-------------|
| Compliance Reviews | | | | |
| Policies and Procedures | Travel and Subsistence | High | Citizens and Communities | 04/06/2013 |
| | Travel and Subsistence | Medium | Children's Services | 11/06/2013 |
| | Travel and Subsistence | Low | Adult Social Care | 11/06/2013 |
| | Managing Attendance | Medium | Adult Social Care | 13/08/2013 |
| | Overtime Payments | High | Adult Social Care | 14/08/2013 |
| | Overtime Payments | High | Environment and Housing | 14/08/2013 |
| | Overtime Payments | High | City Development | 15/08/2013 |
| | Overtime Payments – findings relating to Business Support Centre | High | Civic Enterprise Leeds | 22/08/2013 |
| | Overtime Payments | Medium | Strategy and Resources | 22/08/2013 |
| | Overtime Payments | Medium | Children's Services | 12/09/2013 |
| | Sale of Land and Property | High | City Development | 27/09/2013 |
| | Fees to Carers | Medium | Adult Social Care | 24/10/2013 |
| | Entertainments Licensing | High | Strategy and Resources | 24/10/2013 |
| | Nursery Fees | Low | Children's Services | 31/10/2013 |
| | Income from Library Fines | Medium | City Development | 06/11/2013 |
| | Performance Related Payments | High | Cross - Cutting | 12/11/2013 |
| Income from Sports Fees | High | City Development | 12/11/2013 | |

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| Compliance Area | Report Title | Level of Compliance Assurance | Directorate | Date Issued |
|------------------------|---|--------------------------------------|-------------------------|--------------------|
| | Severance Payments | Medium | Strategy and Resources | 05/12/2013 |
| | Special Leave | Medium | Strategy and Resources | 13/01/2014 |
| | Asset Verification (Desirable Items) | Medium | Cross Cutting | 19/03/2014 |
| | Declaration of Interests | High | Cross Cutting | 02/04/2014 |
| Expenditure | Bought in Professional Services | High | Environment and Housing | 24/10/2013 |
| | Bought in Professional Services | High | City Development | 24/10/2013 |
| | Other Hired and Contracted Services | High | City Development | 06/11/2013 |
| | Other Hired and Contracted Services | Low | Environment and Housing | 12/11/2013 |
| | Use of External Consultants | Medium | City Development | 06/01/2014 |
| | Direct Payments | Low | Adult Social Care | 30/05/2014 |
| Income | Income from Sponsorship | High | Environment & Housing | 13/12/2013 |
| | Rents and Leases from Commercial Properties | High | City Development | 14/01/2014 |
| | Income from Markets – Kirkgate Market | Medium | City Development | 08/04/2014 |
| | Kirkgate Open Market | Low | City Development | 08/04/2014 |
| Unannounced Visits | Home Lea Home for Older Persons | Medium | Adult Social Care | 03/07/2013 |
| | Temple Newsam Golf Course | High | Environment and Housing | 28/08/2013 |
| | Radcliffe Lane Day Centre | High | Adult Social Care | 27/09/2013 |

| Report Title | Results/Opinion | Directorate | Date Issued |
|---|--|-------------------------|--------------------|
| Head of Internal Audit Assurances | | | |
| Bus Operators Grant Claim period 1 st October 2012 – 31 st March 2013 | Internal Audit identified errors in the figures quoted on the initial claim that were corrected during the audit. The work undertaken by Internal Audit has resulted in an increase in the claim of £12k. | Resources | 18/06/2013 |
| Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) | To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) Specific Grant Determination 2010 No 31/1859 have been complied with | Resources | 25/06/2013 |
| Fuel Poverty Grant | Internal Audit has reviewed the Fuel Poverty Grant Claim and carried out appropriate investigations and checks to confirm that the conditions attached to Local Authority Fund Grant Determination (2012/13) No 31/2102 have been complied with. The audit confirmed the claim had been appropriately prepared and verified the total claim to invoices and the Financial Management System (FMS.) | Environment and Housing | 27/06/2013 |
| Thorpe Primary School Voluntary Fund 2012/13 | Certification of account balances. | Children's Services | 16/07/2013 |

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| Report Title | Results/Opinion | Directorate | Date Issued |
|--|--|--------------------------|--------------------|
| Shakespeare Primary School Voluntary Fund 2012/13 | Certification of account balances. | Children's Services | 25/07/2013 |
| Troubled Families Programme Grant Claim 2013/14 | Audit testing provided good assurance that the results and outcomes detailed on the grant claim will satisfy the DCLG requirements of reasonableness. | Children's Services | 25/07/2013 |
| Cookridge Primary School Voluntary Fund 2012/13 | Certification of account balances. | Children's Services | 26/07/2013 |
| Green Deal Go Early Pilot Grant Claim for City Regions | These statements confirm in all significant respects, the conditions set out by the Secretary of State for Energy and Climate Change (SSECC) in his offer letter of the 1 st November 2012 have been complied with. | Citizens and Communities | 09/08/2013 |
| Chapel Allerton Primary School Voluntary Fund | Certification of Account Balances | Children's Services | 10/09/2013 |
| Adel St John the Baptist CE Primary School Voluntary Fund | Certification of Account Balances | Children's Services | 22/10/2013 |
| Troubled Families Grant Claim | Grant Conditions complied with | Children's Services | 25/10/2013 |
| Seacroft Grange Primary School Voluntary Fund | Certification of Account Balances | Children's Services | 29/10/2013 |
| Whitecote Primary School Voluntary Fund | Certification of Account Balances | Children's Services | 21/11/2013 |
| Holy Name Primary School Voluntary Fund | Certification of Account Balances | Children's Services | 26/11/2013 |
| Temple Moor High School Science College Voluntary Fund | Certification of Account Balances | Children's Services | 28/11/2013 |
| Building Hope Charity Accounts 2012-13 | Independent Examination of 2012/13 Accounts – Satisfactory | Strategy and Resources | 05/12/2013 |
| Bus Operators Grant Claim – April to September 2013 | Grant conditions complied with | Civic Enterprise Leeds | 17/12/2013 |
| Boston Spa School Voluntary Fund 2013 | Certification of account balances | Children's Services | 11/02/2014 |
| Troubled Families Grant Claim | Grant conditions complied with | Children's Services | 14/02/2014 |
| SeNS Grant Claim February 2014 | Grant conditions complied with | Adult Social Care | 28/02/2014 |
| Yeadon Westfield Infants School SFVS 201314 | Certification of account balances | Children's Services | 01/03/2014 |
| Lord Mayor's Appeal Fund - Independent Examination of the 2012'13 Accounts | Certification of account balances | External | 31/03/2014 |

Section 3

AUDIT PERFORMANCE AND CONFORMANCE WITH PSIAS 2013/2014

3.1 Review of the Year

3.1.1 Reports to the Audit Committee

An important part of the Internal Audit service is to inform the Corporate Governance and Audit Committee about the adequacy of the Council's governance and internal control systems and an important role of the Committee is to oversee the performance of the Internal Audit Service. The table below summarises the information the Committee has received from Internal Audit during the last year.

Reports from Internal Audit

| <i>Report</i> | <i>Purpose</i> |
|--|---|
| Internal Audit Update Reports | Provided regular summaries of the work undertaken by IA and allowed the Committee to review the performance of Internal Audit |
| Public Sector Internal Audit Standards | Informed the Committee of the new Standards and provided an assurance on compliance with these. The Committee were also requested to note the Internal Audit Quality Assurance and Improvement Programme (QAIP) as defined by the Standards. |
| Internal Audit Charter | Informed the Committee of the rationale underpinning the service, the standards it would meet, and the way it interfaces with the City Council and its partners. |
| Update on Whistleblowing Policy and Raising Concerns Policy | Consulted with the Committee on a review of the Council's policies and informed the Committee of the revisions in accordance with the changes to Public Interest Disclosure Legislation, including the opportunity to comment on the current proposals. |
| Annual Audit Plan 2014/15 | Informed the Committee of the impending work programmes and provided the opportunity for comments and observations. |
| Annual Report 2012/13 | Given the Committee an overview of the work undertaken by IA and gave the Head of |

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| <i>Report</i> | <i>Purpose</i> |
|---------------|---|
| | Internal Audit Opinion in respect of the Council's overall control environment. |

3.1.2 Achievement of the Annual Audit Plan 2013/14

The following table shows achievement of the Audit Plan for the period 1st April 2013 to 31st March 2014.

Achievement against the Total Audit Days element of the audit plan was 88%. Coverage of financial resource risks was 96% of planned days. Resources during 2013/14 were less than was anticipated when the audit plan was completed, due to factors such as secondments, staff absence, reductions in staff working hours and staff leaving. Internal Audit managed resources to direct these towards the areas of highest risk to ensure that there was not a negative impact on the ability of the Section to provide the coverage necessary to support the Head of Internal Audit opinion on the authority's control environment.

| Assurance Block | Total Days per Audit Plan 2013/14 | Actual Days 2013/14 | % Completion |
|--|--|----------------------------|---------------------|
| <u>Financial Resource Risks</u> | | | |
| Spending Money Wisely | 695 | 674 | 97% |
| Anti-Fraud and Corruption | 600 | 897 | 149% |
| Financial and Other Key Systems | 810 | 800 | 99% |
| Head of Audit Assurances | 65 | 80 | 123% |
| Compliance | 504 | 417 | 83% |
| Procurement, Performance and Improvement | 375 | 294 | 78% |
| Risk Based Audits | 345 | 237 | 69% |
| ICT | 350 | 190 | 54% |
| Total Financial Resource Risks | 3,744 | 3,588 | 96% |
| <u>Strategic Risks</u> | | | |
| Compliance | 97 | 80 | 83% |
| Policies and Procedures | 38 | 22 | 58% |
| Risk Based Audits | 40 | 0 | 0% |
| ICT | 55 | 0 | 0% |
| Total Strategic Risks | 230 | 103 | 45% |
| <u>Continuing Development</u> | | | |
| Professional Liaison | 28 | 10 | 36% |
| Training and CPD | 305 | 114 | 37% |
| Total Continuing Development | 333 | 124 | 37% |
| <u>Contingency</u> | | | |
| General Contingency | 280 | 241 | 86% |
| Total Contingency | 280 | 241 | 86% |
| Total Audit Days | 4,587 | 4,056 | 88% |

In addition, the audit plan for 2013/14 included days for the following:

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| Assurance Block | Total Days per Audit Plan 2013/14 | Actual Days 2013/14 | % Completion |
|-------------------|-----------------------------------|---------------------|--------------|
| External | 634 | 728 | 115% |
| Secondments | 506 | 765 | 151% |
| Total Days | 1,140 | 1,493 | 131% |

3.2 Ensuring Quality

3.2.1 [Customer Feedback](#)

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

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

[Results from Customer Satisfaction Questionnaires](#)

| Question | Actual 2012/13 | Actual 2012/13 | Actual 2013/14 | Actual 2013/14 |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| | % Score 3 or above | % Score 4 or above | % Score 3 or above | % Score 4 or above |
| Notice | 100 | 95 | 94 | 91 |
| Scope | 98 | 88 | 94 | 91 |
| Understanding | 98 | 80 | 100 | 94 |
| Efficiency | 95 | 95 | 100 | 91 |
| Consultation | 100 | 93 | 100 | 94 |
| Professional/Objective | 100 | 93 | 100 | 100 |
| Accuracy of Draft | 95 | 80 | 100 | 100 |
| Opportunity to comment | 100 | 100 | 100 | 97 |
| Clarity & Conciseness | 100 | 100 | 100 | 91 |
| Final Report – Prompt | 98 | 78 | 100 | 94 |

| Question | Actual | Actual | Actual | Actual |
|-----------------|------------------|------------------|------------------|------------------|
| | 2012/13 | 2012/13 | 2013/14 | 2013/14 |
| | % | % | % | % |
| | Score 3 or above | Score 4 or above | Score 3 or above | Score 4 or above |
| Recommendations | 100 | 88 | 100 | 94 |
| Added Value | 100 | 88 | 100 | 94 |

Feedback from customer satisfaction questionnaires continues to be very positive. These results are again extremely encouraging, particularly as the nature and complexity of work undertaken by Internal Audit continues to change. The results for 2013/14 show improvements in a number of areas. It is particularly pleasing to note the improvement in client's perception of the professionalism and objectivity of the Internal Audit team – with all clients who responded scoring the auditor as good or very good in this area. In addition, there have been improvements in the feedback from clients in relation to the accuracy of the draft audit report (increasing from 80% to 100% rating this as very good or good) and the timeliness of issue of the final report (increasing from 78% to 94% rating this as very good or good.)

Internal audit has been part of the core cities benchmarking club for over ten years – consistently being a high performer across a whole range of key cost and quality measures. Examples include cost per audit day and percentage of productive time as well as customer questionnaires and perceptions of added value.

3.2.2 Conformance with Public Sector Internal Audit Standards (PSIAS)

The Internal Audit Service works to a Charter approved by the Audit Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. Internal Audit colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. It has adopted, and substantially complied with the principles contained within the PSIAS, and has fulfilled the requirements of the Account and Audit Regulations 2011.

The Committee were presented with a report during November 2013 which included a self review against the PSIAS. The purpose of this was to inform members of the new standards, to provide an assurance on compliance with these, to seek approval for the Internal Audit Charter and to note the Internal Audit Quality Assurance and Improvement Programme (QAIP) as defined by the Standards. This concluded that, on the whole, Internal Audit complies with the standards, whilst recognising that a number of new requirements had been introduced (including the Internal Audit Charter and the QAIP.)

The self review against the Standards identified two areas for which there is no associated action and by which Internal Audit are proposing to accept the residual risk. This is because after close analysis of the requirement and a review of current controls already in place

relating to the requirement, the implementation of an action to meet the requirement would be unworkable and disproportionate. Existing controls in place are sufficient and operating well. The two areas of non-compliance are:

- The Head of Internal Audit does not undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit.
- Feedback is not sought from the Chair of the Corporate Governance and Audit Committee for the Head of Internal Audit's performance appraisal.

The two areas of non-compliance have been assessed as having a low residual risk and based on discussions with other Internal Audit teams, these two areas of non-compliance are replicated in numerous other local authorities throughout the country.

Therefore overall, the Internal Audit activity within LCC conforms with the International Standards for the Professional Practice of Internal Auditing.

3.2.3 Quality Standard Accreditation

All Internal Audit work is undertaken in accordance with internal quality procedures incorporated in its quality management system, which has now been ISO accredited for over fifteen years, having first been awarded in 1998. During December 2013, an independent review was undertaken of Internal Audit's quality system to ensure compliance with the ISO 9001:2008 standard. The review team conducted a process-based audit, focusing on significant aspects/ risks/ objectives required by the standard and concluded that:

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

The next review visit is due in July 2014.

3.2.4 Continuing Professional Development

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

The Public Sector Internal Audit Standards (Standard 1230) require that: *'Internal Auditors must enhance their knowledge, skills and other competencies through continuing*

professional development. At Leeds, evidence of professional training and development activities must be retained and individual/group training needs identified.

Internal Audit has continued to provide support for other corporate priorities which over the last year has seen 2 staff secondments to external partner organisations, one member of staff assisting with closedown within Financial Services and another member of staff assisting on waste management projects within Environment and Housing. In addition, the Section has provided a representative to support the Strategy and Resources Staff engagement group. As well as supporting corporate priorities, this has also assisted individual members of staff with their own personal and professional development.

3.2.5 Whistleblowing

The Council's Whistleblowing Policy and Raising Concerns Policy set out the means by which serious concerns can be brought to the attention of Internal Audit.

The Whistleblowing Policy is available on the intranet and encourages Council employees and Members, who have serious concerns about any aspect of the Council's work, to come forward and voice those concerns without fear of reprisal.

The Raising Concerns Policy is published on the Council website and offers guidance to members of the public that may have concerns around aspects of the Council's work.

The promotion and accessibility of these policies helps the Council to be responsive to emerging risks that are identified.

Internal Audit continues to act as the custodians of these policies. In 2013/14, Internal Audit received a total of 88 potential irregularity referrals (79 in 2012/13). Of these, 64 were classified under the remit of the Whistleblowing or Raising Concerns policies (53 in 2012/13). All reported irregularities were risk assessed by Internal Audit and investigated by Internal Audit, the relevant directorate or HR colleagues, as appropriate. Where the matter was referred to directorates or HR for investigation, Internal Audit has made follow up enquiries to ensure all aspects of the referral have been addressed.

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

Details of reports issued in this area have been included in the regular update reports to the Corporate Governance and Audit Committee.

The following action was taken in response to the Whistleblowing / Raising Concerns referrals:

| Action Taken | Number of Referrals |
|--|---------------------|
| Investigated by Internal Audit | 28 |
| Referred to the relevant Directorate/Service | 36 |
| Total | 64 |

Action taken on referrals not classified under the remit of the Whistleblowing or Raising Concerns policies:

| Action Taken | Number |
|--|-----------|
| Advice given on controls | 10 |
| Covered by another Council policy / service | 7 |
| Referred to Police or other body as outside remit of the Council | 4 |
| Already investigated as part of wider audit coverage | 1 |
| Named person no longer employee of LCC | 2 |
| Total | 24 |

3.2.6 [Proactive Fraud](#)

Internal Audit is committed to taking a proactive approach in tackling fraud. During the year, Internal Audit has used various data analytics tools and techniques to proactively identify fraud and error, as recommended in the latest Audit Commission Protecting the Public Purse publication.

The proactive fraud work undertaken during the year was successful in identifying fraudulent creditor payments at a partner organisation. Progress on this case has been highlighted to this committee during the course of the year. Internal Audit is continuing to support the work of both the police and the designated Investigating Officer towards the conclusion of this matter.

3.3 Progress against 2014/15 Internal Audit Plan

A number of audit reports have been issued during the first quarter. Those which relate to the 2013/14 financial year have been included in this Annual Report. Those relating to the 2014/15 financial year will be reported in the next Internal Audit update report to the Committee.

Progress against the Audit Plan for 2014/15 is in line with this expected achievement at this point in the year. Actual achievement of the total audit days element of the Audit Plan at 16% against an anticipated level of achievement (for the 2 month period ended 31st May 2014) of 17%.

There are no issues identified by Internal Audit during the period 1st April 2014 to the 31st May 2014 that would necessitate direct intervention by the Committee.