

# **LEEDS CITY COUNCIL**

## ***INTERNAL AUDIT REPORT***

***February 2011***

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## **INTRODUCTION**

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### **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**

- 2.1. The Government's Spending Review and its reductions in grants presents a very significant challenge to the Council, which is without precedent in recent times. In addition to the substantial reduction in Government funding, the Council also faces significant cost pressures which will also need to be taken into account in setting budgets for the next four years and probably beyond.
- 2.2. The impact of this changing environment has already been felt by internal audit, particularly in terms of available resources and the type of work undertaken. The freeze on filling vacancies has reduced the total available resources and additional days have also been allocated to value for money type work, particularly business analysis, which will result in an additional 600 days being spent in this area by the year-end. On a day to day basis, there are 8 business analysts and 3 internal auditors working on value for money/efficiency/business process re-engineering work. These increasing pressures have compressed those days available for traditional planned assurance work.
- 2.3. This necessitates a thorough and ongoing re-evaluation of the minimum 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. As in previous

years, the internal audit operational plan has been subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. Section 2 of this report details the changes made in coverage from the original Audit Plan set in April 2010. Given the budget cuts a report will be submitted to every other Corporate Governance & Audit Committee rather than six monthly.

- 2.4. However, the internal audit team is in very good shape to respond positively to these challenges and has the skills, competencies and work ethic to fully contribute to the solutions the organisation must find. For a number of years the team has embraced and fully supported the principles of Continuing Professional Development (CPD). In this 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 roles to a high standard.
- 2.5. This is the time where internal audit can and will contribute positively and effectively to the significant challenges faced by the Council.
- 2.6. The next report to this committee will outline proposals for the 2011/12 Internal Audit Operational Plan.

### ***3. Added Value of Internal Audit***

- 3.1. At the 29<sup>th</sup> July 2010 meeting of the Corporate Governance & Audit Committee details on the cost of Internal Audit to the Council and further information on the value added to the Council by the section through its value for money work was requested. It was agreed that this report would include some commentary on this question.
- 3.2. It would be easy to simply state the statutory requirement for an internal audit service, which can be summarised as;
  - The organisation has a duty to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.
  - In 2006, CIPFA published a revised Code of Practice for Internal Audit in Local Government in the UK. The guidance accompanying the Accounts and Audit Regulations 2003 referred to this code as representing “proper internal audit practices”. The Code defines the way in which the internal audit service should be established and undertaken, encompassing organisational and structural aspects.
  - In April 2006 amendments to the Accounts and Audit Regulations (England) 2003 had a further affect on internal audit for English

authorities. Regulation 6, required bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole.

3.3. However a statutory requirement is not really an explanation of how internal audit service can add value and, at Leeds, we continually strive to improve our outputs and positive contribution to good governance within the organisation.

3.4. There are a number of ways the team can demonstrate value for money in terms of quality and external opinions. Examples include;

- 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.
- Internal audit has a significant portfolio of work won in open competition. This includes partners wholly owned by the organisation, such as ALMOs, as well as other public sector service providers.
- KPMG, the Council's external auditors, rely upon internal audit work for opinion purposes. In 2009/10 KPMG concluded that;

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

- A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditees opinion on a range of issues and asks for an assessment ranging from 5 (for excellent) to 1 (for poor). The feedback continues to be very positive.
- One of the key service objectives of the Section is to remain a centre of excellence for new and emerging issues within the audit field. Internal Audit continues to be represented on a number of national audit forums.
- All our work is undertaken in accordance with our quality management system; we have now been ISO accredited for over fourteen years.

3.5. In addition to these input based indicators, looking at the quality of the section, there are many examples of outcomes arising from internal audit work that clearly demonstrate added value. This list is not exhaustive but is intended to give a flavour of the type of work undertaken;

- The Head of Audit provides a written report to those charged with governance timed to support the Annual Governance Statement. This report includes an opinion on the overall adequacy and effectiveness of the organisation's control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies. This opinion is underpinned by the 200 plus internal audit reports issued to the Council's officers and members throughout the year. These reports contain numerous recommendations to improve the control environment, taking into account organisational objectives and cost of control.
- Internal audit also reports into the newly formed Internal Control Board that has been set up to help ensure that the internal control environment of Leeds City Council is sound. This Board has been set up to help reduce the risk of unexpected control system failures.
- Internal Audit continues to act as the custodians of the Council's Whistleblowing Policy. In 2010/11 to date, Internal Audit has dealt with a total of 74 potential irregularity referrals.
- Internal Audit continues to be pro-active in offering advice to officers on the application of Contract Procedure Rules (CPR). When these rules cannot be fully complied with a waiver is sought and through this process Internal Audit provides clear, risk based recommendations to Directors, advising on how to progress that particular procurement. More importantly, we work with departmental officers to examine ways to prevent re-occurrence and secure both best value and transparency.
- Internal audit has had a great deal of success in open book reviews of the Council's suppliers in 2010/11. This success, and the significant sums of money recovered, has been a driver in prompting the section to examine ways that resources can be used to create a 'hub of excellence' that not only undertakes its own open book reviews but also works with other officers in the Council to improve this important skill. It is hoped the 2011/12 Plan will be able to find the resources necessary to make this ambition a reality.

3.6. In May 2010 the Business Process Re-Engineering team was transferred to work within internal audit with the aim of refocusing these key resources on Council priorities to supplement the organisation's response to the efficiencies challenge. The skills and competencies of the business analysts sit well within internal audit and will enhance the 'audit offer'. The pressures facing the organisation dictated a speedy transition was essential as there were a number of

areas where the skills of auditors and business analysts combined were needed. Positive feedback is being received about the work of this new team and, given this is the first time the committee has been updated on the work of this team, the following section gives more detailed examples of the type of work being undertaken and the methodology adopted.

### *3.7. Internal Audit work on VFM*

3.7.1. A basic assumption must be that there is a need to maximise the impact of all audit activity and understand exactly where assurances can be gained. As a result, work undertaken in the VFM/Efficiency/Business Process Re-engineering areas needs to both drive lean systems and give assurances on the control environment. Therefore the aim is to achieve four generic outcomes from each review:

- An 'as is' picture of the current system and processes. To include understanding and agreeing key outcomes and reviewing the policies and procedures that drive the culture, eligibility etc.;
- The 'to be' stage. A lean, efficient system where resources are geared towards achieving agreed outcomes and management controls are timely and effective;
- Understanding the sensitivity of change, such as demand, and the service's ability to both achieve agreed outcomes and budget;
- An assurance on the Internal Control Environment. Then internal audit can compliance check key controls.

It is essential that the team is working in areas of key risk to the organisation – otherwise assurances from this work would not add much value to the level of overall assurance.

3.7.2. Examples of the type of work the VFM team are undertaking include;

#### ***Housing Options***

- The review was commissioned by the Chief Officer for Resources and Strategy for Environment and Neighbourhoods to perform analysis around the Housing Options Services at Great George Street. The rationale for the review was twofold; to identify how the service could create capacity to respond to

increased demand for the service emanating from the current economic downturn and also to produce recommendations to achieve cashable savings if activity remained at current levels.

- The report identified potential FTE savings in the region of £208k through the following opportunities:
  - Reorganising the way in which resources are scheduled, to generate greater utilisation of staff time and create a more equitable balance of work;
  - Developing management information which will allow this process to occur based on reliable information;
  - Introducing greater standardisation to enable processes to occur more consistently.
- Following the issue of the final report, the Directorate is developing a business case to supplement the change, including the necessity to develop the IT capabilities.

### **Adult Social Care**

- Adult Social Care are undertaking major organisational changes. Five members of the internal audit team have been supporting the directorate in both identifying and reviewing its 'As – Is' business processes across the whole of Adult Social Care Operations. The review will:
  - identify areas where immediate improvements can be made,
  - provide a firm baseline from which the emerging 'to-be' business processes can be developed to support changed ways of working in line with the increasing personalisation of services,
  - be critical in informing the specification for both the replacement of the existing ESCR system, together with further technological requirements necessary to support future requirements.
- It is likely the team will be asked for further assistance when the new working processes are to be designed.

### **Childrens and Adults Transport**

- The team is working with colleagues across the organisation to identify ways to both maintain quality of service but reduce costs.



### ***Revenues and Benefits***

- This review will cover several areas in Benefits (assessing new claims, dealing with changes, interactions with council tax) and Council Tax (setting up new bills, changes of address, changes to charge payer details and accounts) and develop opportunities and options for a re-designed service model with resource implications and associated potential cost savings.

### ***Purchasing Cards***

- This review will cover policies and procedures relating to the use of purchasing cards; appropriateness of expenditure and procurement methods and value for money of supplier arrangements.

### ***Purchase to Pay***

- This review has involved establishing the baseline for the processes for purchase to pay in relation to office supplies and stationery and travel and identifying opportunities for efficiencies in the processes.

### ***Changing the workplace: customer access***

- The objectives of the review are to understand and baseline each of the services identified for migration to the single customer facing enquiry centre, determining their 'state of readiness'; and to define the new service delivery model for each of the appropriate services for migration.

### ***IT equipment and disposal***

- The team was commissioned to review the improvements made by ICT to procedures for purchasing and disposing of IT equipment in response to suspected misappropriation of equipment, in particular the effectiveness of the controls in place and identifying opportunities for improving the process. The review found that the controls in place were not adequate, and that there is no central hardware inventory across the authority or within individual directorates. Recommendations were made to improve controls.

### ***Hospitality and External Room Hire***

- The review is nearing completion and will aim to identify potential savings.

3.8. There are many other requests for internal audit resources to assist in reviews across the organisation, and these will be assessed as to potential benefits and impacts and, wherever possible when comparing competing priorities, resources identified to undertake the work.

3.9. At the start of the financial year 2010/11 the net budgeted cost of internal audit was £1,174,730. This increased to £1,626,800 when management responsibility for the Business Process Re-engineering team was transferred to Internal Audit in May 2010.

## Section 2

**AUDIT COVERAGE****4. Progress against the 2010/11 Operational Plan**

4.1. The following table shows the revised audit days expected to be completed in the financial year, broken down into audit areas. As can be seen, resources have been 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.

**Detailed Reviews by Audit Type - Projected Days to 31st March 2011**

<b>Audit</b>	<b>Original days per Audit Plan 2010/11</b>	<b>Projected days to 31<sup>st</sup> March 2011</b>	<b>Increase/ Decrease in number of days</b>	<b>% change</b>
TOTAL FOR KEY FINANCIAL SYSTEMS	784	784	0	0
TOTAL FOR COMPLIANCE	800	425	-375	-47
TOTAL FOR UNANNOUNCED VISITS & SCHOOLS	240	217	-23	-9
TOTAL FOR RISK BASED REVIEWS	25	0	-25	-100
TOTAL FOR PROCUREMENT	70	97	27	39
TOTAL FOR CONTRACT AUDIT	210	96	-114	-54
TOTAL FOR INFORMATION TECHNOLOGY	130	34	-96	-74
TOTAL FOR CORPORATE GOVERNANCE	265	132	-133	-50
TOTAL FOR VALUE FOR MONEY	1400	2007	607	43
TOTAL FOR HEAD OF AUDIT ASSURANCES	112	69	-43	-39
TOTAL FOR CONTRACT WORK	1156	1216	60	5
TOTAL FOR EDUCATION LEEDS	60	46	-14	-24
TOTAL FOR PROFESSIONAL LIAISON	48	57	9	18
TOTAL FOR POLICY	67	16	-51	-76
TOTAL FOR CORPORATE WORKING GROUPS	95	85	-10	-11
TOTAL FOR CONTINGENCY	770	741	-29	-4
TOTAL FOR ANTI FRAUD AND CORRUPTION	862	575	-287	-33
<b>Operational Plan Total</b>	<b>7094</b>	<b>6597</b>	<b>-497</b>	

## 5. How Internal Control is Reviewed

- 5.1. 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.
- 5.2. 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.
- 5.3. 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.
- 5.4. To improve consistency in audit reporting, the following definitions of audit assurance are used for all systems and governance audits completed.

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

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

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

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

5.5. 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.

#### Schedule of Reports issued to 24<sup>th</sup> January 2010/11

Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Temple Newsam Tearooms 2009/10	Acceptable	Good Assurance	Minor	City Development	01/06/2010
Beeston Phase 5 Group Repairs Audit 2009/2010	Good Assurance	Acceptable	Minor	Environment and Neighbourhoods	03/06/2010
BSC Central Payments	Substantial Assurance	Substantial Assurance	Minor	Resources	03/06/2010
East North East Homes Leeds Partnering Contract 2008/09 FINAL ACCOUNT	Limited Assurance	No Assurance		ENEH	04/06/2010
Children and Young People's Social (CYPSC) Care Service - Placement Payments 2009/10	Limited Assurance		Moderate	Children's Service	08/06/2010
Central & Corporate Functions Sundry Income - 2009/10	Acceptable	Acceptable	Moderate	Resources	08/06/2010
Review of Swarcliffe PFI 2008/9	Acceptable	Acceptable	Moderate	Environment and Neighbourhoods	08/06/2010
Creditors ASC 2009/10	Good Assurance	Acceptable	Minor	Adult Social Care	15/06/2010
Creditors City Development 2009/10	Substantial Assurance	Good Assurance	Minor	City Development	15/06/2010
Adult Social Care purchase orders		Acceptable	Minor	Adult Social Care	17/06/2010
Environment & Neighbourhoods purchase orders		Acceptable	Minor	Environment and Neighbourhoods	17/06/2010

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Internal Audit Report-Orchard & PS Team General Computer Controls 2009/10	Substantial Assurance	Good Assurance	Minor	Environment and Neighbourhoods	22/06/2010
General Computer Controls – FMS, SAP, Academy, Powersolve & IMS	Substantial Assurance	Substantial Assurance	Minor	Resources	22/06/2010
Education Leeds Corporate Governance Review 2009/10	Good Assurance			Education Leeds	26/06/2010
Chapeltown Children's Centre 2010/11	Good Assurance	Acceptable	Minor	Children's Service	28/06/2010
West North West Homes Leeds - Corporate Governance 2009/10	Good Assurance	Acceptable		WNWHL	02/07/2010
East North East Homes Leeds Procurement Audit 2009/10	Acceptable	Limited Assurance		ENEH	05/07/2010
South Leeds Athletics and Bowls Centre 2009/10	Good Assurance	Good Assurance	Moderate	City Development	06/07/2010
Aireborough Leisure Centre 2009/10	Good Assurance	Acceptable	Moderate	City Development	06/07/2010
Rothwell Leisure Centre 2009/10	Good Assurance	Acceptable	Moderate	City Development	06/07/2010
Financial Management — Central Controls 2009/10	Substantial Assurance	Substantial Assurance	Minor	Resources	08/07/2010
Capital Programme Controls 2009/10	Acceptable	Acceptable	Moderate	Resources	09/07/2010
BITMO Annual Internal Audit Report — 2009/10	Acceptable	Acceptable		BITMO	13/07/2010
Taxi and Private Hire Licensing Compliance Audit 2010/11	Limited Assurance	Good Assurance	Moderate	Chief Executive	13/07/2010
Harewood Church of England Voluntary Controlled Primary School 2010/11	Good Assurance	Good Assurance	Minor	Education Leeds	13/07/2010
Broadgate Primary School (2010/11)	Good Assurance	Acceptable	Minor	Education Leeds	13/07/2010
ENEHL Annual Internal Audit Report — 2009/10	Acceptable	Acceptable		EHEH	15/07/2010
Area Committees 2009/2010	Good Assurance		Minor	Environment and Neighbourhoods	15/07/2010
WNWH Annual Internal Audit Report — 2009/10	Good Assurance	Acceptable		WNWHL	15/07/2010
Bank Reconciliation and Cashbook Audit 2010/11	Substantial Assurance	Substantial Assurance	Minor	Resources	20/07/2010
Suffolk Court care HOP follow up 2009/10	Acceptable	Limited Assurance	Minor	Adult Social Care	23/07/2010
Bewerley Croft Audit Report 2010/11	Acceptable	Acceptable	Minor	Adult Social Care	26/07/2010
Environmental Audit System (EMAS) — Systems Based Audit 2010/11	Substantial Assurance	Substantial Assurance	Minor	City Development	28/07/2010
Leeds Early Years/Integrated Youth Support Service (EY/IYSS) — Follow up Audit 2010/11	Acceptable			Children's Service	28/07/2010
Procurement Unit Central Controls 2009/10	Acceptable	Acceptable	Moderate	Chief Executive	04/08/2010
Claims and Compliance Section — Follow Up Review 2010/2011	Acceptable			<i>Environment and Neighbourhoods</i>	04/08/2010
Local Enterprise Growth Initiative (LEGI) Performance Indicator	Acceptable	Limited Assurance	Minor	City Development	04/08/2010

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
NI131 – Delayed transfers of care from hospitals	Acceptable	Acceptable	Minor	Adult Social Care	05/08/2010
Rents and Leases 2010/11	Good Assurance	Acceptable	Minor	City Development	06/08/2010
Community Care Homecare 2009/10 – East North East Area Wedge	Acceptable	Limited Assurance	Major	Adult Social Care	09/08/2010
East Leeds Link Road Contract Audit 2009/10	Good Assurance	Acceptable	Moderate	City Development	20/08/2010
Central Monitoring of Key Partnerships	Good Assurance			Chief Executive	24/08/2010
Education Leeds Creditors 2009/10	Substantial Assurance	Acceptable		Education Leeds	25/08/2010
BITMO Responsive Repairs Audit 2009/10	Acceptable	Good Assurance		BITMO	31/08/2010
Annual Governance Statement 2010	Good Assurance		Minor	Chief Executive	01/09/2010
NI145 Adults with learning disabilities in settled accommodation.	Acceptable	Limited Assurance	Minor	Adult Social Care	14/09/2010
Members' Allowances 2009/10	Substantial Assurance	Substantial Assurance	Minor	Chief Executive	15/09/2010
Strategic Landlord Key Performance Indicators 2010/11	Acceptable	Acceptable	Minor	Environment and Neighbourhoods	12/10/2010
Corporate Governance — East North East Homes Leeds (ENEHL) 2010/11	Acceptable		Minor	ENEH	14/10/2010
Lettings Enforcement — Strategic Landlord 2010/11	Good Assurance		Minor	Environment and Neighbourhoods	14/10/2010
ENEHL — Review of Key Performance Indicators 2010/11	Substantial Assurance	Good Assurance	Minor	ENEH	19/10/2010
Major adaptations (Private Homes) Follow Up Review 2010/11	Good Assurance	Substantial Assurance	Minor	Environment and Neighbourhoods	25/10/2010
Strategic Landlord Assurance Framework Aire Valley Homes Leeds – Procurement 2010/11	Limited Assurance	Limited Assurance	Moderate	External	25/10/2010
West North West Homes Leeds - Key Policies — Rent Arrears	Good Assurance	Good Assurance	Minor	WNWHL	02/11/2010
Bank Reconciliations and Treasury Management 2010/11	Good Assurance	Good Assurance	Minor	WNWHL	04/11/2010
Budgetary Control and Performance — West North West Homes Leeds	Good Assurance	Acceptable	Moderate	WNWHL	05/11/2010
Lettings Enforcement — Belle Isle Tenancy Management Organisation Leeds Q1 and Q2		Limited Assurance	Moderate	BITMO	09/11/2010
Strategic Landlord Assurance Framework Key Policies: Rent Arrears	Good Assurance	Acceptable	Minor	ENEH	09/11/2010
Key Performance Indicator NI61 - Follow up Audit	Good Assurance	Good Assurance		Children's Service	09/11/2010
Care Ring Follow Up Review	Limited Assurance	Limited Assurance	Minor	Environment and Neighbourhoods	09/11/2010
Asset Management Responsive Repairs — Belle Isle Tenant Management Organisation	Acceptable	Good Assurance	Minor	BITMO	11/11/2010

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Employee Conflict of Interest	Limited Assurance	Limited Assurance	Moderate	City Development	11/11/2010
Knowle Manor Audit Report 2010/11	Good Assurance	Acceptable	Minor	Adult Social Care	12/11/2010
Rent Arrears — Belle Isle Tenant Management Organisation (BITMO)	Acceptable	Acceptable	Minor	BITMO	16/11/2010
Middleton Leisure Centre 2010/11	Good Assurance	Good Assurance	Minor	City Development	17/11/2010
Enforcement — East North East Homes Leeds Q1 and Q2		Good Assurance	Minor	ENEH	18/11/2010
Key Performance Indicators – Aire Valley Homes Leeds 2010/11	Good Assurance	Good Assurance	Minor	External	19/11/2010
Kirkland House HOP 2010/11	Good Assurance	Acceptable	Minor	Adult Social Care	25/11/2010
Strategic Landlord Assurance Framework Procurement Quarter 1 BITMO 2010/11	Acceptable	Limited Assurance	Moderate	BITMO	03/12/2010
Lettings Enforcement – West North West Homes Leeds Q1 and Q2 2010/11		Limited Assurance	Moderate	WNWHL	07/12/2010
Children's Services – Key Performance Indicators Review	Acceptable	Acceptable	Minor	Children's Service	07/12/2010
Human Resources File Review 2010/11	Good Assurance	Limited Assurance	Moderate	Resources	08/12/2010
Treasury Management & Bankline 2010/11 - interim memo	Substantial	Substantial		Resources	09/12/2010
Key Performance Indicators — BITMO 2010/11	Good Assurance	Good Assurance	Minor	BITMO	15/12/2010
Income Management System 2010/11	Substantial Assurance		Minor	Resources	17/12/2010
Asset Management Consultation – BITMO 2010/11	Good Assurance		Minor	BITMO	21/12/2010
East North East Bank Rec	Acceptable			ENEH	23/12/2010
East North East Responsive Repairs Mears	Good Assurance	Good Assurance		ENEH	23/12/2010
Aire Valley Homes Lettings		Limited Assurance	Moderate	AVHL	23/12/2010
<b>Schools/FMSiS/School Voluntary Fund Reviews</b>					
Quarry Mount Primary School Follow Up Audit 2009/10	Good Assurance	Good Assurance	Minor	Education Leeds	19/05/2010
Featherbank Infant School 2010/11	Substantial Assurance	Substantial Assurance	Minor	Education Leeds	19/05/2010
Gildersome Primary School FMSiS 2009/10	Conditional Pass	Conditional Pass		Education Leeds	19/05/2010
Pool-in-Wharfedale CoE Primary School FMSiS 2009/10 Follow Up	Pass	Pass		Education Leeds	21/05/2010
St James CofE Voluntary Controlled FMSiS 2009/10	Pass	Pass		Education Leeds	21/05/2010
Priesthorpe Sports Specialist College FMSiS 2009/10 Follow Up	Pass	Pass		Education Leeds	21/05/2010

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Report Title	Audit Opinion			Directorate	Date Issued
	Control Environment	Compliance	Business Impact		
Thornor CoE Voluntary Controlled Primary School 10/11	Acceptable	Acceptable	Minor	Education Leeds	08/06/2010
Roundhay School Technology and Language College	Substantial Assurance	Substantial Assurance	Minor	Education Leeds	08/06/2010
Allerton Bywater Primary School (FMSiS) — External Assessment 2009/2010 Follow Up	Pass	Pass		Education Leeds	08/06/2010
Shadwell Primary School FMSiS 09/10 Follow Up	Pass	Pass		Education Leeds	08/06/2010
Swillington Primary School FMSiS0910 Follow Up	Pass	Pass		Education Leeds	08/06/2010
Gildersome Primary School FMSiS 2009/10 Follow Up	Pass	Pass		Education Leeds	08/06/2010
FMSiS Mount St Mary's Primary Closing Audit	Fail	Fail		Education Leeds	08/06/2010
Gildersome Primary School Internal Audit follow-up review	Good Assurance	Substantial Assurance	Minor	Education Leeds	15/06/2010
Rothwell CoE Voluntary Controlled Primary FMSiS 09/10 Follow Up	Pass	Pass		Education Leeds	23/06/2010
BESD SILC — Elmete Central FMSiS 09/10 Follow Up	Pass	Pass		Education Leeds	23/06/2010
Bramham Primary School FMSiS 09/10 Follow Up	Pass	Pass		Education Leeds	23/06/2010
Mill Field Primary School 2010/11	Acceptable	Good Assurance	Minor	Education Leeds	26/06/2010
Swinnow Primary School 2010/11	Good Assurance	Acceptable	Minor	Education Leeds	26/06/2010
Lower Wortley Primary School 2010/11	Good Assurance	Good Assurance	Minor	Education Leeds	19/07/2010
Lady Elizabeth Hastings' Church of England Primary Thorp Arch 2010/11	Good Assurance	Substantial Assurance	Minor	Education Leeds	20/07/2010
Bramhope Primary School	Good Assurance	Good Assurance	Minor	Education Leeds	27/07/2010
Low Road Primary 10/11	Good Assurance	Good Assurance	Minor	Education Leeds	13/09/2010
Ingram Road Primary School	Good Assurance	Acceptable	Minor	Education Leeds	21/09/2010
Woodkirk High School	Good Assurance	Good Assurance	Minor	Education Leeds	21/09/2010
Micklefield CoE Voluntary Controlled Primary	Good Assurance	Good Assurance	Minor	Education Leeds	22/09/2010
Bruntcliffe High School 2010/11	Good Assurance	Good Assurance	Minor	Education Leeds	24/09/2010
Bruntcliffe High School 2010/11 FMSiS	Conditional Pass	Conditional Pass		Education Leeds	24/09/2010
Parkland Girls' High Follow Up	Acceptable	Substantial Assurance		Education Leeds	23/11/2010
Lawnswood High School FMSiS 2010/11	Pass	Pass		Education Leeds	25/11/2010
Drighlington Primary School FMSiS 2010/11	Pass	Pass		Education Leeds	25/11/2010
Bruntcliffe High School FMSiS 2010/11	Pass	Pass		Education Leeds	25/11/2010

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- 5.6. As can be seen, there are a number of reviews that have resulted in limited assurance or no assurance. However each review concluded with a number of recommendations that, if implemented, would allow appropriate levels of assurance to be given.
- 5.7. 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.
- 5.8. The *only* review that concluded a major impact for the organisation was **Community Care (Homecare) East North East Area 2009/10**, issued 9/8/10.
- 5.8.1. The audit review covered the procedures within Adult Social Care for the delivery of community care (non-residential) services in the East North East Area.
- 5.8.2. The key areas for improvement in the control environment were budgetary control (although a separate report was issued on budget pressures within Adult Social Care) and reducing delays in the provision of domiciliary care (Leeds is in the 3rd quartile for NI 133, with 86.9% of customers receiving services in 28 days of an assessment against a target of 92%.) Significant progress is already being made in each of these areas, including the commissioning of new framework providers and the formulation of an action plan to address budgetary issues within the service.
- 5.8.3. Limited assurance was provided for compliance as the review highlighted that the recording of information needed to be improved for the evidencing of decisions (this has also been identified through the independent file reviews), improving the recording of data within ESCR and data quality checks. The review also identified that periodic file reviews by the area offices had not been undertaken between October 2008 and December 2009. This was an agreed action following the Independence, Wellbeing and Choice inspection in 2008. These were recommenced in January 2010 and independent file reviews have been undertaken throughout the year.
- 5.8.4. An opinion of major organisational impact has been provided as the service significantly overspent in 2009/10. The weaknesses in the recording of information and decisions could also impact on the results of future inspections. The Head of Policy, Performance and Improvement has provided evidence from the independent file reviews that customers are being safeguarded.

5.8.5. The Service was already aware of a number of issues and work was already on-going to improve existing processes. This includes the following;

- Quality Assurance Policy and minimum data recording standards;
- Adult Social Care Risk Policy and Management Toolkit;
- An audit tool, based upon the framework used by the independent consultants for undertaking file reviews;
- The on-going work of the City-wide Panel for the approval of care packages over 10 hours a week;
- Resources have been invested in data cleansing to improve data quality within Adult Social Care;
- Undertaking, where practicable, telephone reviews to improve the timeliness of care package reviews;
- On-going training.

5.8.6. This area is currently being reviewed by Internal Audit and progress towards implementation of the recommendations made previously will be covered as part of the audit.

## **5.9. Duplicate Payments**

5.9.1. Since 2004/5 Internal audit has undertaken the role of identifying and recovering duplicate payments after the year end. In that time, the recovery of duplicate payments by Internal Audit has been in excess of £470,000. A further £214,726 in duplicated payments has been recovered by Rockfords and PSFR. In the year to date, Internal Audit has identified and recovered £10,723 in duplicate payments. There are currently a total of 66 duplicate payments totalling £65,276 relating to previous years which have not yet been recovered. Internal Audit is raising sundry charge accounts relating to these.

5.9.2. In 2010 the Business Support Centre procured a new piece of software which, in addition to providing essential management information, should identify duplicate payments in year, identifying training issues and speeding up recovery. In theory this will obviate the need for the year end internal audit data analysis and enable a traditional assurance approach to be taken.