

**Report of the Director of Resources and Deputy Chief Executive**

**Report to Corporate Governance and Audit Committee**

**Date: 10<sup>th</sup> July 2013**

**Subject: Internal Audit Annual Report 2012/13**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. On behalf of the Corporate Governance and Audit Committee ('the Committee') and the Director of Resources and Deputy Chief Executive, 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.
2. The terms of reference of the Committee require that it considers the Council's arrangements relating to internal audit. This specifically includes considering the annual report and the opinion on the control environment contained in that report and monitoring the performance of internal audit.
3. The overall conclusion is that Leeds City Council has a sound Corporate Governance framework from which those charged with Governance can gain assurance. Internal Audit has made a number of recommendations to further improve the systems of control but at the time of writing this report there are no outstanding significant issues arising from the work undertaken by Internal Audit. 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.

## **Recommendations**

4. The Corporate Governance and Audit Committee is asked to receive the Internal Audit Annual Report 2012/2013 report and note the assurances given.

## **1 Purpose of this report**

- 1.1 This report brings to the attention of the Committee the basis of the internal audit assurance for 2012/13.
- 1.2 By reviewing, challenging and monitoring such reports the Committee itself is demonstrating sound governance arrangements and enabling it to take appropriate action if needed. It should be noted that Internal Audit will also issue interim reports to the Committee if any significant matters arise which would warrant immediate attention.

## **2 Background information**

- 2.1 The Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

## **3 Main issues**

- 3.1 The Code of Practice for Internal Audit in Local Government in the UK 2006 states that the Head of Audit must provide a written report to those charged with governance timed to support the Statement on Internal Control (now the Annual Governance Statement). This report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies. For 2012/13, the opinion is:

*The internal control environment, including the key financial systems, is well established and continues to operate well in practice.*

*At the time of writing this report there are no outstanding significant issues arising from the work undertaken by Internal Audit.*

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

- 3.2 The annual opinion is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The report therefore contains a summary of completed jobs along with their individual opinions.
- 3.3 There are no issues identified by Internal Audit in the Annual Report 2012/13 that would necessitate direct intervention by the Corporate Governance & Audit Committee.
- 3.4 KPMG reviewed internal audit's work on key financial systems in 2012/13 and confirmed that it fully met their requirements in terms of timeliness, quality and supporting evidence. KPMG confirmed that:

*“Internal Audit has covered all areas of work that we wished to rely upon to a good standard and we are again able to place full reliance on their work.”*

3.5 Internal Audit will continue to undertake a follow up audit on audit reports with limited or no assurance opinions or where the impact has been determined as either ‘Major’ or ‘Moderate’ to ensure the revised controls are operating well in practice.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 This report did not highlight any consultation and engagement considerations.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

### **4.3 Council policies and City Priorities**

4.3.1 The terms of reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the Council’s corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee.

### **4.4 Resources and value for money**

4.4.1 In relation to resources and value for money, the Internal Audit annual report includes a number of value for money reviews and a number of initiatives in line with the council’s value of spending money wisely.

### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 None.

### **4.6 Risk Management**

4.6.1 The Internal Audit plan has been and will continue to be subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.

## **5 Conclusions**

5.1 There are no issues identified by Internal Audit in the Annual Report 2012/13 that would necessitate direct intervention by the Corporate Governance & Audit Committee.

**6 Recommendations**

6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit Annual Report 2012/2013 report and note the assurances given.

**7 Background documents<sup>1</sup>**

7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.