



Leicester  
City Council

## **MEETING OF THE AUDIT AND RISK COMMITTEE**

**DATE: TUESDAY, 24 SEPTEMBER 2013**

**TIME: 5:00 pm**

**PLACE: THE OAK ROOM, GROUND FLOOR, TOWN HALL, TOWN  
HALL SQUARE, LEICESTER.**

### **Members of the Committee**

Councillor Westley (Chair)

Councillors Dr. Chowdhury, Desai, Grant, Meghani, and Dr. Moore.  
1 Non-Grouped Member Vacancy

Members of the Committee are summoned to attend the above meeting  
to consider the items of business listed overleaf.

for Monitoring Officer

**Officer contact: Angie Smith**  
*Democratic Support, Democratic Services*  
*Leicester City Council*  
*Town Hall, Town Hall Square, Leicester LE1 9BG*  
*(Tel. 0116 229 8897 Fax. 0116 229 8819)*  
*Email. Angie.Smith@Leicester.gov.uk*

## **INFORMATION FOR MEMBERS OF THE PUBLIC**

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Dates of meetings are available at the Customer Service Centre, King Street, Town Hall Reception and on the Website.

There are certain occasions when the Council's meetings may need to discuss issues in private session. The reasons for dealing with matters in private session are set down in law.

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### **BRAILLE/AUDIO TAPE/TRANSLATION**

If there are any particular reports that you would like translating or providing on audio tape, the Democratic Services Officer can organise this for you (production times will depend upon equipment/facility availability).

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**Press Enquiries - please phone the Communications Unit on 0116 252 6081**

## **PUBLIC SESSION**

### **AGENDA**

**1. TRAINING SESSION PRIOR TO MAIN MEETING -  
ACCOUNTS**

Director of Finance / Principal Accountant (Financial Strategy)

**2. APOLOGIES FOR ABSENCE**

**3. DECLARATIONS OF INTEREST**

Members are asked to declare any interests they may have in the business on the agenda, and/or indicate that Section 106 of the Local Government Finance Act 1992 applies to them.

**4. PRIVATE SESSION**

### **AGENDA**

#### **MEMBERS OF THE PUBLIC TO NOTE**

**Under the law, the Committee is entitled to consider certain items in private where in the circumstances the public interest in maintaining the matter exempt from publication outweighs the public interest in disclosing the information. Members of the public will be asked to leave the meeting when such items are discussed.**

The Committee is recommended to consider the following reports in private on the grounds that they contain 'exempt' information as defined by the Local Government (Access to Information) Act 1985, as amended, and consequently that the Sub-Committee makes the following resolution:-

“that the press and public be excluded during consideration of the following reports in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because they involve the likely disclosure of 'exempt' information, as defined in the Paragraphs detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it is considered that the public interest in maintaining the information as exempt outweighs the public interest in disclosing the information.”

#### **Paragraph 3**

Information relating to the financial or business affairs of any particular person

(INCLUDING THE authority holding that information)

B1) INTERNAL AUDIT – UPDATE REPORT FOR FEBRUARY AND MARCH 2013

B2) THE SUMMARY OF INTERNAL AUDIT CONCLUSIONS FOR THE FINANCIAL YEAR 2012-13

**5. INTERNAL AUDIT UPDATE REPORT FOR FEBRUARY AND MARCH 2013 [Appendix B1](#)**

The Director of Finance submits a report that provides the Committee with a summary of Internal Audit work completed in February and March 2013, information on the progress made by Council in implementing recommendations arising from reports issues by Internal Audit, and to provide more detail on those Internal Audit reports in which low assurance levels have been given and where there are material concerns.

The Committee is recommended to receive the report and note the key issues identified.

**6. THE SUMMARY OF INTERNAL AUDIT CONCLUSIONS FOR THE FINANCIAL YEAR 2012-13 [Appendix B2](#)**

The Director of Finance submits a report that provides the Committee with the Summary of Internal Audit Conclusions for 2012-13.

The Committee is recommended to receive the Summary of Internal Audit Conclusions and make such comments as it sees fit.

**PUBLIC SESSION**

**7. MINUTES OF THE PREVIOUS MEETING [Appendix A](#)**

The minutes of the meeting of the Audit and Risk Committee held on 16<sup>th</sup> July 2013 are attached and the Committee is asked to confirm them as a correct record.

**8. THE STATUTORY STATEMENT OF ACCOUNTS 2012-13 [Appendix B](#)**

The Director of Finance submits a report which gives details of the requirement of the Committee to approve the audited final Statutory Statement of Accounts for the year 2012-13.

The Committee is recommended to approve the accounts.

Details of the Statement of Accounts will be circulated to Members of the Committee as soon as they are available.

**9. ANNUAL GOVERNANCE REPORT AND LETTER OF REPRESENTATION 2012/13** [Appendix C](#)

The External Auditor submits a report which summarises the 2012/13 audit of Leicester City Council.

The Committee are asked to note the report and approve the letter of representation.

**10. DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2012-13** [Appendix D](#)

The City Barrister and Head of Standards, and the Director of Finance submit a joint report to Committee of the draft Annual Governance Statement for 2012-13.

The Committee is asked to consider and approve the draft Annual Governance Statement for 2012-13.

**11. THE COMMITTEE'S ANNUAL REPORT TO COUNCIL FOR THE FINANCIAL YEAR 2012-13** [Appendix E](#)

The Director of Finance submits the annual report of the Audit and Risk Committee, setting out what the Committee has achieved over the municipal year 2012-13. The report will be presented to Council.

The Committee is recommended to approve the report for submission to Council.

**12. INTERNAL AUDIT ANNUAL REPORT FOR 2012-13** [Appendix F](#)

The Director of Finance submits a report to Committee which fulfils the requirements of CIPFA professional standards for Internal Audit in producing the Internal Audit Annual Report. The terms of reference for the Audit and Risk Committee also include the Committee's requirement to approve the Head of Internal Audit's annual report and to monitor performance on an annual basis.

The Committee are recommended to:

- Receive the report;
- Consider whether Internal Audit has met the Committee's expectations of the service during the year 2012-13;
- Approve the changes made to the Internal Audit Plan for 2012-13; and
- Make any recommendations it sees fit to the Director of Finance or the Executive.

**13. ANY OTHER URGENT BUSINESS**

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# Appendix B1

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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# Appendix B2

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

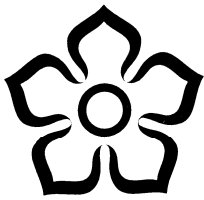
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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Leicester  
City Council

# Appendix A

## Minutes of the Meeting of the AUDIT AND RISK COMMITTEE

Held: TUESDAY, 16 JULY 2013 at 5.00pm

### P R E S E N T:

Councillor Westley – Chair

Councillor Dr. Chowdhury  
Councillor Grant

Councillor Desai  
Councillor Dr. Moore

\* \* \* \* \*

#### **8. TRAINING SESSION PRIOR TO MAIN MEETING - HOW TO BE AN EFFECTIVE AUDIT COMMITTEE**

A training session on 'How to be an Effective Audit Committee' was delivered by the Head of Internal Audit and Risk Management, and the Audit Manager.

#### **9. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Meghani.

#### **10. DECLARATIONS OF INTEREST**

Councillor Westley declared an interest in relation to business on the agenda, as he had family members who were council tenants.

#### **11. MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

that the minutes of the meeting of the Audit and Risk Committee held on 13<sup>th</sup> June 2013 be approved as a correct record.

#### **12. TRAINING NEEDS ASSESSMENT FOR MEMBERS OF THE COMMITTEE**

The Director of Finance submitted a report which sought to engage Members in the formulation of a training programme for 2013/14 to ensure that the training needs of the Committee, both collectively and individually, continued to be identified and met. Tony Edeson, the Head of Internal Audit and Risk Management, presented the report.

The Committee were recommended to consider their training needs and development requirements, and new Committee Members were asked to complete the attached skills assessment forms and return them to the Head of Internal Audit and Risk Management. Members were also recommended to confirm the continuation of the pre-meeting / training briefing sessions, and suggest further topics they wished to have presented to them.

It was suggested that information from the skills assessment form be brought to the next meeting of the Audit and Risk Committee at the meeting on 24<sup>th</sup> September 2013.

RESOLVED:

1. that the Committee note the report and the recommendations contained in the report.
2. that an update be brought to a future Audit & Risk Committee.

**13. COUNTER-FRAUD/HOUSING AND COUNCIL TAX ANNUAL REPORT FOR THE FINANCIAL YEAR 2012-13**

The Director of Finance and the Director of Environmental Services presented a joint report that provided information on counter-fraud activities during 2012/13. Steve Charlesworth, Head of Finance (Financial Control), presented the report.

It was reported that responsibility for the City Council's counter-fraud work was delivered by the Corporate Counter-Fraud Team, the Revenues and Benefits Investigations Team, both within Financial Services, the Trading Standards Team within Environmental Services, and the Tenancy Fraud Team within Housing.

The Committee was recommended to receive the report, and make any recommendations it saw fit either to the Executive or the Director of Finance, Director of Environmental Services or Director of Housing.

It was stated that the Annual Report included information on reports issued, the main influences on the level and standard of performance during 2012-13 and the key priorities for counter-fraud work in 2013-14. Steve said the report did not include comment on the Council's Anti-Fraud, Bribery and Corruption Policy, which would be reviewed later in 2013.

Steve reported that the Corporate Counter-Fraud Team had reduced in size over recent years, and more recently an experienced officer had retired and had not been replaced. He added that a review of the two Counter-Fraud Teams was awaited, and the team was currently being supported by temporary officers. Steve said the reduction in team members had resulted in less proactive work, but the team had continued to deliver fraud awareness training.

Members referred to the report and asked if losses incurred by the Council could be quantified, as it would also assist in providing evidence of the value of

the service the team gave. Linda Fletcher, Principal Investigations Officer, said it was difficult to quantify losses if incurred through individual procurement or contractual fraud, and it was difficult to know how much Leicester City Council would have paid if procedures were followed correctly. She added that when investigating employees there was usually a cut-off point, and the team would usually go back two years. She said that they received advice from the police as to how much information was required for a custodial sentence, and that each case was viewed on its own merits, on how much it would cost to uncover fraud versus the costs that could be recouped by the Council.

Sarah Khawaja, Principal Lawyer (Regulatory), said the financial value of any fraud had a significant effect on the sentence, for example, fraud of £35k or more would go to the Crown Court due to its seriousness. Sarah said that in her experience, the court wanted to know the financial value of any fraud as this allowed them to assess the seriousness of the offending and sentence appropriately.

Linda added that if a case went to court, the Council did need to quantify the amount of the fraud, as in a lot of cases, employees had used Leicester City Council facilities.

Members noted the increase in whistleblowing complaints from 25 in 2011/12 to 31 in 2012/13 (i.e. 31 of the 131 referrals were from whistleblowers). Linda reported that the team had investigated a variety of frauds which were still on-going but included substantial sums of money, details of which would be brought to the Committee when the cases were resolved.

Members were also advised that the Revenues and Benefits Investigations Team issued 221 sanctions which related to £925,627 in overpaid Housing Benefit or Council Tax Benefit paid in the financial year 2012/13, and marked a record high. Stuart Limb, Investigations Manager, said it was easier to establish an accurate amount as the fraud was based on direct financial transactions. Stuart said cases were currently being processed through the courts. It was reported that one case was a mother of four who was sent to prison for 18 months after falsely claiming £100k in housing benefit following the return of her estranged husband. Committee Members congratulated officers for uncovering the substantial amount of fraudulently claimed money.

Members were also informed of the newly formed Tenancy Fraud Team, which worked closely with the Revenues and Benefits Investigations Team to identify tenants who may be sub-letting their Council Housing properties. Stuart said £137k funding had been secured from the DCLG to recruit two temporary officers for two years and, once appointed, they would undertake enquiries on behalf of the City Council, Oadby & Wigston Borough Council and other social landlords within Leicestershire to identify tenancy fraud and prosecute on the other authorities' behalf.

The Chair requested that Legal Services and Housing deliver a presentation on the prosecution process, and give examples at a future meeting of the Audit and Risk Committee.

RESOLVED:

- 1) that the report be received.
- 2) that a presentation from Legal Services and Housing be brought to a future meeting of the Audit and Risk Committee.

#### **14. DRAFT STATUTORY STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR 2012-13**

The Director of Finance submitted the draft Statutory Statement of Accounts 2012-13, prior to formal approval of the audited final Statement of Accounts at the Audit & Risk Committee meeting on 24<sup>th</sup> September 2013, in accordance with The Accounts and Audit (England) Regulations 2011. The report was presented by Steve Charlesworth, Head of Finance (Financial Control). As in previous years the 2012-13 Draft Accounts were appended to the report and were submitted for information only.

The Audit & Risk Committee was recommended to note the draft accounts for the year ended 31<sup>st</sup> March 2013 as submitted for audit.

Members were informed the accounts were made up of four core financial statements, which were:

- Movement in reserves statement
- Comprehensive income and expenditure statement
- Balance sheet
- Cash flow statement

It was agreed that, if requested, Finance Officers would provide Members with one-to-one discussions regarding the terminology used in the report before the Audit & Risk Committee meeting on 24<sup>th</sup> September 2013.

Members asked, with regards to Net Assets, how we compare to Nottingham. Steve agreed to respond to Members after the meeting.

The Committee had no further comments to make.

RESOLVED:

1. that the Draft Accounts for the year ended 31<sup>st</sup> March 2013, as submitted for audit, be noted.
2. that Finance Officers contact Committee Members to arrange one-to-one discussions regarding the terminology used in the report.

#### **15. RISK MANAGEMENT AND INSURANCE SERVICES - UPDATE REPORT**

The Director of Finance submitted a report which provided the Committee with the regular update on the work of the Council's Risk Management and Insurance Services Teams activities. Tony Edeson, the Head of Internal Audit and Risk Management, presented the report. The Committee were



recommended to receive the report and notes its contents, and make any recommendations they saw fit either to the Executive or Director of Finance.

Tony referred to a point in the report on the CIPFA/ALARM Risk Management Benchmarking exercise that the Council had taken part in since 2010. Tony reported that the Council was rated higher than last year in three of the seven assessed areas. He said the finalised report would be presented to a future Committee meeting.

Tony reported that the current success rate for cases at Court for the Council was 96%, and since the last report to Committee two cases were successfully defended.

Tony raised issues under 'Horizon Scanning' in the report. Members requested further information on the four key expectations required by local authorities in the Secretary of State for Communities and Local Government response to the Lakanal House inquest.

The Chair thanked Tony for the update.

The Committee received the report.

RESOLVED:

1. that the report be noted.
2. that information on the four key expectations following the Lakanal House inquest be forwarded to Members of the Audit and Risk Committee.

## **16. REVIEW OF THE EFFECTIVENESS OF SYSTEM OF INTERNAL AUDIT IN 2012-13**

The Director of Finance submitted a report that set out the findings of the annual review of the effectiveness of the Council's system of internal audit for 2012-13. The document was presented by Steve Charlesworth, Head of Finance (Financial Control). The Audit Committee was recommended to accept the findings of the review and conclude that the Council had an effective system of internal audit on which it (the Council) could place reliance.

It was reported Council's Finance Division included the Internal Audit Team, which carried out reviews of financial and management systems and reported to management on the effectiveness of their processes and controls. Recommendations were made to improve systems and procedures as and when appropriate, with the aim of reducing the Council's exposure to financial and other risk. Internal Audit was an integral part of the Council's overall system of internal control, which was the means by which the City Council ensured that resources were used effectively and for their intended purposes.

It was further reported that a further fundamental component of the Council's system of internal audit was the Audit and Risk Committee, as the Committee had an essential role to play in providing independent assurance on the

effectiveness of the Council's system of internal control as a contribution to the Council's governance arrangements as reported in the Annual Governance Statement.

The report contained information on the sources of evidence that had been used to assess the system of internal audit. The report concluded that Leicester City Council had a sufficiently effective system of internal audit for the Council to be able to place reliance on its assessment of the system of internal control.

The Committee received the report.

RESOLVED:

- 1) that the findings of the review be accepted.
- 2) that the Committee concluded that the Council had an effective system of internal audit on which the Council could place reliance.

#### **17. INTERNAL AUDIT - FIRST AND SECOND QUARTER OPERATIONAL PLANS 2013-14**

The Director of Finance submitted a report that set out the Internal Audit Operational Plan for the first two quarters of the financial year 2013/14. The report was presented by Steve Jones, Internal Audit Manager.

The report also set out the amended Internal Audit Charter, as approved on 20<sup>th</sup> September 2007, and last reviewed by the Audit and Risk Committee on 23<sup>rd</sup> March 2011.

RESOLVED:

- 1) that the Annual Internal Audit Operational Plan 2012/13, as presented, be approved
- 2) that the amended Internal Audit Charter, as approved on 20<sup>th</sup> September 2007 and last reviewed by the Audit and Risk Committee on 23<sup>rd</sup> March 2011 be agreed as accurately reflecting the Terms of Reference of the Internal Audit Service.

#### **18. CLOSE OF MEETING**



*cutting through complexity™*

# Report to those charged with governance (ISA 260) 2012/13

Leicester City Council

24 September 2013

Appendix C



**The contacts at KPMG in connection with this report are:**

**Neil Bellamy**

*Director*

*KPMG LLP (UK)*

0116 256 6082

neil.bellamy@kpmg.co.uk

**Adrian Benselin**

*Manager*

*KPMG LLP (UK)*

0116 256 6089

adrian.benselin@kpmg.co.uk

**Vikash Patel**

*In-charge*

*KPMG LLP (UK)*

0116 256 6069

vikash.patel@kpmg.co.uk

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**Appendices**

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Bellamy, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 03034448330.

## This report summarises:

- the key issues identified during our audit of Leicester City Council's (the Authority's) financial statements for the year ended 31 March 2013; and
- our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.

## Financial statements

Our *External Audit Plan 2012/13* presented to you in March 2013 set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place in two tranches during March 2013 (interim audit) and August 2013 (year end audit). We carried out the following work:

Control Evaluation	<ul style="list-style-type: none"> <li>■ Evaluate and test selected controls over key financial systems</li> <li>■ Review internal audit function</li> <li>■ Review accounts production process</li> <li>■ Review progress on critical accounting matters</li> </ul>
Substantive Procedures	<ul style="list-style-type: none"> <li>■ Planning and performing substantive audit procedures.</li> <li>■ Concluding on critical accounting matters.</li> <li>■ Identifying audit adjustments.</li> <li>■ Reviewing the Annual Governance Statement.</li> </ul>
Completion	<ul style="list-style-type: none"> <li>■ Declaring our independence and objectivity.</li> <li>■ Obtaining management representations.</li> <li>■ Reporting matters of governance interest.</li> <li>■ Forming our audit opinion.</li> </ul>

We are now in the final phase of the audit. Some aspects are also discharged through this report:

## VFM conclusion

Our *External Audit Plan 2012/13* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have completed our work to support our 2012/13 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

## Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

## Acknowledgements

We would like to take this opportunity to thank Officers, in particular the Director of Finance and her team, and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

<b>Proposed audit opinion</b>	We anticipate issuing an unqualified audit opinion by 30 September 2013. We will also report that the wording of your Annual Governance Statement accords with our understanding.
<b>Audit adjustments</b>	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund.
<b>Accounts production and audit process</b>	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.  We did not identify any specific audit risk areas for this year's audit.
<b>Control environment</b>	The Authority's organisation and IT control environment is effective, and controls over the key financial systems are generally sound.  We have raised five recommendations arising from our work, which are set out in Appendix 1.
<b>Completion</b>	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter (Appendix 4).  We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
<b>VFM conclusion</b>	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2013.

**We have identified no issues in the course of the audit that are considered to be material.**

**The wording of your Annual Governance Statement accords with our understanding.**

### **Proposed audit opinion**

We anticipate issuing an unqualified audit opinion by 30 September 2013.

### **Audit differences**

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2012/13* ('the Code'). We understand that the Authority will be addressing these where significant. There was no impact on the General Fund.

### **Annual Governance Statement**

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

The Authority has good processes in place for the production of the accounts and good quality supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented the recommendations in the ISA 260 Report 2011/12.

#### Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
<b>Accounting practices and financial reporting</b>	The Authority has good financial reporting arrangements in place.  We consider that accounting practices are appropriate.
<b>Completeness of draft accounts</b>	We received a complete set of draft accounts on 28 June 2013, before the designated deadline.
<b>Quality of supporting working papers</b>	Our <i>Accounts Audit Protocol</i> , which we issued in April 2013 and discussed with the corporate finance team, set out our working paper requirements for the audit.  The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i> .
<b>Critical accounting matters (key audit risks)</b>	We have discussed with officers throughout the year areas of specific audit risk. There are no matters to draw to your attention.

Element	Commentary
<b>Response to audit queries</b>	Officers resolved audit queries in a reasonable time.

#### Prior year issues

In his 2011/12 ISA 260 report the previous auditor reported one uncorrected error regarding the method by which the depreciation charge for council dwellings was calculated.

We are pleased to report that depreciation is being charged on the correct basis this year.



## Control environment

**The Authority's organisation and IT control environment is effective, and controls over the key financial systems are sound.**

During March 2013 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

### Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

The Authority also relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

We found that your organisational and IT control environment is effective overall.

We identified issues around the completion and review of monthly bank reconciliations, authorisation / review of journals, and completeness of related party transactions – see Appendix 1 for details.

### Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on our work on controls over the year end process, the controls over the financial systems are sound. However we have made one recommendation to strengthen control over authorisation of journals; this is set out in Appendix 1.

## Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.**

### **Declaration of independence and objectivity**

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Leicester City Council for the year ended 31 March 2013, we confirm that there were no relationships between KPMG LLP and Leicester City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

### **Management representations**

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Director of Finance, which is reproduced in Appendix 3. We require a signed copy of your management representations before we issue our audit opinion.

### **Other matters**

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements'.

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report relating to the audit of the Authority's 2012/13 financial statements.

**Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.**

**We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

**Background**

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority’s financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly. Our approach was set out in more detail in our *External Audit Plan 2012/13*.

**Risk assessment**

We completed our initial risk assessment taking account of the challenges faced by the Authority, particularly the current overall economic position, restraint on public funding, and changes to the welfare and local government finance arrangements.

Our initial risk assessment did not identify any significant risk that would result in a qualified conclusion.

However in the Audit Plan we said we would review progress in implementing recommendations arising from the 2011/12 report *Building Schools for the Future*. We are pleased to report all recommendations have been implemented or are in progress.

We also considered the work carried out by the Authority and the arrangements it had put in place in respect of the two specified VFM criteria.

We concluded that risks were sufficiently mitigated and there was no need for us to carry out any additional unplanned audit work in this area.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

**Conclusion**

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Appendix 1: Key issues and recommendations

We have given the recommendation a risk rating and agreed what action management will need to take.

We will formally follow up these recommendations next year.

Priority rating for recommendations			
<p><b>1</b> <b>Priority one:</b> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p><b>2</b> <b>Priority two:</b> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p><b>3</b> <b>Priority three:</b> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>	
No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p>At present, only authorised finance staff can raise journals.</p> <p>While there is a degree of authorisation through granting appropriate permissions when staff take up their posts, there is no check that journals processed are complete or accurate.</p> <p>Recommendation: Produce a report of non-routine journals raised by finance staff. Provide evidence that journals are authorised by a senior member of the finance team.</p>	<p>Agreed. We will look at the most effective way to introduce a control around journal authorisation.</p> <p>Principal Accountant – Corporate Accountancy</p> <p>February 2014</p>
2	2	<p>Related party declarations have not been returned by three councillors. There may be significant matters that are undisclosed.</p> <p>Assurance about related party transactions relates to the year of account and it is important that declarations are received from all members in position for that year.</p> <p>The register of members interests under the Localism Act 2011 was last populated in July 2012. There is no requirement to update this annually so it is not up to date and therefore not available as an alternative source of assurance about completeness of declarations.</p> <p>Recommendation: Publish the names of members who fail to return related party declarations. Update the on-line register of members' interests on an annual basis.</p>	<p>We will consider this recommendation and continue to strongly encourage full completion of these returns by members.</p> <p>The Chair of the Audit and Risk Committee may wish to consider what further actions are available.</p> <p>March 2014</p>

## Appendix 1: Key issues and recommendations (continued)

We have given the recommendation a risk rating and agreed what action management will need to take.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
<p><b>1</b> <b>Priority one:</b> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p><b>2</b> <b>Priority two:</b> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p><b>3</b> <b>Priority three:</b> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
3	2	<p>Our review of the March 2013 bank reconciliations identified two trivial amounts (amounting to less than £800) on the current account which could not be supported.</p> <p>Recommendation: Ensure all reconciling items included in monthly bank reconciliations can be explained and supported.</p>	<p>Agreed.</p> <p>Principal Accountant – Corporate Accountancy October 2013</p>
4	3	<p>Monthly Bank reconciliations were not carried out for a three month period (November 2012, December 2012 and January 2013) due to retirement of relevant staff and inadequate handover arrangements. From February 2013 monthly bank reconciliations have been performed.</p> <p>Recommendation: Establish handover arrangements to ensure continuous operation of controls to cater for known or anticipated staff departures</p>	<p>Agreed. More robust management arrangements are now in place.</p> <p>Principal Accountant – Corporate Accountancy</p>
5	3	<p>The Head of Finance (Financial Control) does not evidence his review of monthly bank reconciliations.</p> <p>Recommendation: Provide evidence of checking of the monthly bank reconciliations.</p>	<p>Agreed.</p> <p>Principal Accountant – Corporate Accountancy October 2013</p>

**The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.**

### Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

*“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 Communication of *Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Corporate Governance Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

### General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

#### **Auditor declaration**

In relation to the audit of the financial statements of Leicester City Council for the financial year ended 31 March 2013, we confirm that there were no relationships between KPMG LLP and Leicester City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

**We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.**

**The wording for these representations is prescribed by auditing standards.**

**We require a signed copy of your management representations before we issue our audit opinion.**

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Leicester City Council (“the Authority”), for the year ended 31 March 2013, for the purpose of expressing an opinion :

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

**Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 require adjustment or disclosure have been adjusted or disclosed.

**Information provided**

4. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.



**We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.**

**The wording for these representations is prescribed by auditing standards.**

**We require a signed copy of your management representations before we issue our audit opinion.**

6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.  
The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
7. The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships

and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that:
  - are statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - are funded or unfunded; and
  - are approved or unapproved,
 have been identified and properly accounted for; and
- b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Risk Committee on 24 September 2013.

Yours faithfully,

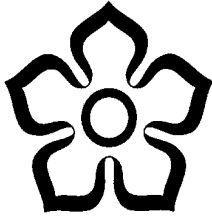
Chair of the Audit and Risk Committee  
Director of Finance



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Leicester  
City Council

## **FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

**Audit & Risk Committee**

**24<sup>th</sup> September 2013**

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### **Draft Annual Governance Statement 2012-13**

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#### **Report of the City Barrister & Head of Standards and Director of Finance**

##### **1. Purpose of Report**

- 1.1 To present to the Committee the draft Annual Governance Statement for 2012-13.

##### **2. Recommendations**

- 2.1 The Audit & Risk Committee is asked to consider and approve the draft Annual Governance Statement for 2012-13.

##### **3. Summary**

- 3.1 Under regulation 4 of the Accounts and Audit (England) Regulations 2011, each local authority is required to conduct a review at least once a year of the effectiveness of its system of internal control and following the review, must prepare an Annual Governance Statement. This must be approved by members of the authority, meeting either as a whole or by means of a committee. For Leicester City Council, the Audit & Risk Committee has been given this responsibility.
- 3.2 The draft Annual Governance Statement, which is attached, sets out the Council's responsibilities for good governance. It outlines the Council's governance framework and the importance of the overall system of internal control. Related to this is the *Summary of Internal Audit Conclusions 2012-13*, which is elsewhere on the agenda of this meeting.
- 3.4 The draft Statement is supported by a Directors' Certification document that takes the six recognised fundamental principles of corporate governance and sets out the Council's relevant processes and procedures in fulfilment of each. It concludes with an assessment of areas of concern, both those reported in the previous year's Annual Governance Statement and additional ones identified in 2012-13. For each, the action planned or taken in response is given. The Directors' Certification document is the result of discussions at Strategic

Management Board and Operational Board at which both the process and the detailed content of the document were formally approved.

#### **4. Report**

- 4.1. Details are given in the draft Annual Governance Statement 2012-13 and supporting Directors' Certification, attached.

#### **5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

##### **5.1. Financial Implications**

There are no direct financial implications arising from this report. There are indirect implications insofar as the Council's systems of governance and internal control are directed at giving assurance that the Council's financial resources are being used properly and effectively.

The Annual Governance Statement is required by regulation 4(4) of the Accounts and Audit (England) Regulations 2011 to be published alongside the Council's statutory financial statements.

##### **5.2. Legal Implications**

Publication by the Council of the Annual Governance Statement is a specific requirement under regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

There are indirect implications insofar as the Council's systems of governance and internal control are directed at giving assurance that relevant law and regulations are being observed.

##### **5.3. Climate Change Implications**

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

#### **6. Other Implications**

<b>Other Implications</b>	<b>Yes/No</b>	<b>Paragraph/References within supporting information</b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

<b>Other Implications</b>	<b>Yes/No</b>	<b>Paragraph/References within supporting information</b>
Risk Management	Yes	The whole report concerns the corporate governance and internal control process and its outcomes, a main purpose of which is to give assurance to Directors and this Committee that risks are being properly identified and managed appropriately by the business.

**7. Background papers – Local Government Act 1972**

Files held by Internal Audit and Legal Services.

**8. Consultations**

All Directors were involved in the preparation of the Annual Governance Statement.

**9. Report Authors**

Kamal Adatia, City Barrister & Head of Standards, x37 1401

Tony Edeson, Head of Internal Audit & Risk Management, Financial Services, x37 1621

Steve Jones, Audit Manager, Internal Audit, Financial Services, x37 1622.

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# LEICESTER CITY COUNCIL

## ANNUAL GOVERNANCE STATEMENT 2012-13

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### 1. Background

Leicester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Leicester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Leicester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE<sup>1</sup> framework *Delivering Good Governance in Local Government*. A copy of the code is on our website under 'Council and Democracy' or can be obtained from Customer Services.

This statement is produced in fulfilment of the requirements of regulations 4(2) and 4(3) of the Accounts and Audit (England) Regulations 2011.

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### 2. Introduction

The Council's governance framework comprises the systems and processes, and the culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the City Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

Local Government has been undergoing significant change and the environment in which it works is increasingly complex. In addition to economic and financial challenges, the Localism Act 2011 and other key legislation has brought new roles, opportunities and greater flexibility for local authorities, which are changing the way in which they operate and undertake the provision of services. As well as being provided directly, public services are increasingly delivered through commissioning, partnerships and collaboration, with many shared services and partnership boards now in existence. The introduction of new structures and ways of working provides challenges for managing risk, ensuring transparency and demonstrating accountability.

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<sup>1</sup> Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives

The system of internal control is a significant part of the Council's governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of Leicester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Leicester City Council for the year ended 31<sup>st</sup> March 2013 and up to the date of approval of the accounts.

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### **3. The Governance Framework**

The Council has in place an assurance framework that takes as its starting point the Council's principal strategic and organisational objectives, including the City Mayor's Delivery Plan. Key strategies and plans translate these objectives into deliverable actions. High-level risks that threaten the achievement of objectives are identified in the strategic and operational risk registers. It is management's responsibility to establish and maintain effective systems of governance and internal control to ensure that the Council's service objectives are delivered and risks to those objectives are managed to an acceptable level.

In order that the Council's business is delivered in a way that promotes public trust and confidence, there must be sufficient assurance that sound internal control arrangements are in place and operating effectively. The assurance framework therefore brings together various internal and external sources of assurance; audit is fundamental to this.

The Council is also required to carry out at least once in each year a review of the effectiveness of its system of internal control. This is done by all Directors by means of positive assurance in the form attached at Appendix 1. The intention of the assurance framework is therefore to set out a structured and coordinated process, drawing together the outcomes of the various assurance, governance and control mechanisms so as to ensure that the Annual Governance Statement is comprehensive in its coverage and reliable in its content

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### **4. Review of Effectiveness**

The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity
- Monitors and reviews compliance with established policies, procedures, laws and regulations and effectiveness against agreed standards and targets



- Monitors and reviews the effectiveness of the operation of controls that have been put in place
- Identifies, profiles, controls and monitors all significant strategic and operational risks
- Ensures that the risk management and control process is monitored for compliance.

The risks identified are subject to regular review and monitoring and appropriate controls are identified to manage them.

The results of that review together with:

- An independent review of the effectiveness of internal control carried out by the Council's Internal Audit section
- An annual review of the Effectiveness of the System of Internal Audit, as required by the Accounts and Audit Regulations (England) 2011
- The External Auditor's Annual Audit Letter and Annual Governance Report which include findings from the work of other inspection regimes,

provide the core information for the preparation of the Annual Governance Statement.

Leicester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report and the Summary of Internal Audit Conclusions, and by comments made by the external auditors and other review agencies and statutory inspectorates.

The Council's Local Code of Corporate Governance complies with CIPFA/SOLACE's guidance *Delivering Good Governance in Local Government* and includes a self-assessment of compliance with the six core principles of good governance. The results of that assessment are set out in the Directors' Certification, as set out at Appendix 1.

## **5. Significant Governance Issues**

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant concerns in the financial controls, governance arrangements or the management of risk. Overall, it can be concluded that controls are operationally sound.

Areas of significant risk or priorities for action have been identified and are listed at Appendix 1 below. This is in two parts:

- Those items identified in the Annual Governance Statement for 2011-12, with the action taken since to address them
- Additional items identified in 2012-13, together with a summary of the action being taken or planned to make the necessary improvements.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

..... (City Mayor) ..... (Date)

..... (Chief Operating Officer) ..... (Date)

..... (Director of Finance) ..... (Date)

**Leicester City Council**  
**Annual Governance Statement 2012-13**  
**Directors' Certification**

Leicester City Council is required to demonstrate that its governance processes and procedures comply with the six CIPFA/SOLACE fundamental principles of corporate governance. These are listed below with the principal sources of evidence or assurance:

**A. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area:**

- Major strategic documents setting out the vision for specific areas of work are in place or have been developed, including the Economic Action Plan, Climate Change Plan and the Children & Young People's Plan.
- A major programme of work is being successfully delivered to support the regeneration and economic development in the City. This includes a £400m programme of capital projects and programme of activity to support business growth and increased employment levels for Leicester's residents. Appropriate programme management and partnership arrangements are in place, most notably the Leicester & Leicestershire Enterprise Partnership.
- The City Mayor's Delivery Plan gives the current focus in terms of priorities and activity and reflects the City Mayor's vision from his manifesto.
- The recently refreshed equality and diversity strategy has been launched and is being implemented to ensure we meet our public sector equality duties and focus on the needs of communities particularly in relation to the 'protected characteristics' defined by the 2010 Equality Act.
- Front-line service departments have or are developing plans which reflect the City Mayor's Delivery Plan, for example, the City Development & Neighbourhoods Departmental Delivery Plan.
- Robust safeguarding arrangements are in place to mitigate the risk of harm to children and vulnerable adults, supported by established Safeguarding Boards.
- We are working on the development of the performance management arrangements to ensure the strategic vision is having the desired effect – but there is still some way to go to fully develop and implement this.

**B. Members and officers working together to achieve a common purpose with clearly defined functions and roles;**

- The Council's Constitution has been updated to reflect a changed governance framework, with particular reference to the Mayoral Model.
- The 'Political Conventions' within the Constitution have been revised to offer clearer advice on member and officer co-working.

- Formal and informal working between the Executive and officers is well established.
- Lead Directors are in place to support scrutiny commissions.

**C. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;**

- A new code of conduct and standards regime for elected members was introduced in July 2012 and is becoming embedded.
- A revised staff code of conduct has been developed and consulted on and is now in place.
- A programme of reviews of key human resources policies is under way.
- The number of complaints to the Local Government Ombudsman has reduced.
- More robust management practices have been introduced around issues such as attendance management and controls around spending e.g. agency staff, consultancy, etc.
- There are regular mechanisms for engagement with the recognised trade unions around staffing and workforce issues.
- There is an established and effective system of internal control and internal audit, aimed at ensuring proper use of resources and giving assurance on the effectiveness of the arrangements for the management of risk. The system of internal audit, which includes the fulfilment of its role by the Audit & Risk Committee, has been reviewed for effectiveness.

**D. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;**

- Financial, legal, equalities and sustainability implications are considered within the decisions taken.
- Strategic and operational risk registers are regularly considered and reviewed.
- Information assets and the supporting information infrastructure are subject to appropriate governance controls to mitigate risk whilst supporting partnership working and compliance with transparency requirements.
- Processes for forward planning, taking and publication of Executive decisions under the mayoral model are defined and are supported by officer guidance.
- There is a recognised approach for taking officer executive decisions in line with recently changed legislation on this issue.
- There is a need to continue to look at how scrutiny is supported to ensure that it works efficiently and effectively.
- Themed Council debates have opened up the engagement of all councillors in major policy themes, such as health.

**E. Developing the capacity and capability of members and officers to be effective;**

- There is a nominated workforce development lead for member development.
- The accommodation strategy seeks to maximise the productivity of the workforce and support positive collaboration.
- The Leicester Leaders training and development programme has successfully engaged many senior managers.
- However, the capacity to deliver major transformation is an issue in the context of the scale of change and savings that need to be achieved.
- It is recognised that there are aspects of elected member development that could be improved.

**F. Engaging with local people and other stakeholders to ensure robust public accountability.**

- There is a more robust and consistent approach to consultation through the work of the Research & Intelligence Team.
- There is a strong focus on media engagement and external communication with core capacity boosted to support this.
- A City Partnership Board involving representation from the key public sector organisations as well as the private and voluntary/community sectors is in place and is focused on major themes and priorities for the city, including the economy, health & wellbeing, etc. The underpinning partnership arrangements have been reviewed and key partnerships are in place around major themes established in accordance with legislation where relevant, such as Health & Wellbeing.
- A public guide to engagement in policy development and decision-making is in development.
- The Council has in place processes for responding to external audit and inspection arrangements, with particular reference to the annual audit of the Council's published financial statements and the Annual Governance Statement.

**Significant Governance Issues**

The Council's control frameworks enable the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. Overall, it can be concluded that controls are operationally sound.

The areas of significant risk or priorities for action that have been identified are listed below. This is in two parts:

**A. Items identified in the Annual Governance Statement for 2011-12, with the action taken since to address them.**

Area of significant risk or priority for action	Comment	Action planned	Action taken
<b>2011-12</b>			
Management and letting of contracts	<p>Significant work is being carried out to develop a procurement approach which delivers value for money from procuring goods and services whilst improving the skills and knowledge within the procurement teams.</p> <p>Some concerns remain, however, in relation to the management of contracts and the Internal Audit Contract Audit Plan for 2012-13 includes a number of contracts and procurement-related audits to help provide assurance in relation to this area.</p>	<p>The Internal Audit Plan 2012-13 will focus on contract auditing across the Council, but in particular in Highways, Property Services, Housing and Adults &amp; Communities. This means testing a sample of contracts against the proper procurement process. Internal Audit will also examine tendering arrangements across the Council.</p>	<p>In progress.</p> <p>As a result of staff changes, Internal Audit has had to re-establish its contract audit capacity. It now has a programme of contract audits, the scope of which includes the processes for procurement and contract management. Contract audit is a priority for the 2013-14 Internal Audit plan.</p>

## Director's Certification for the Annual Governance Statement 2012-13

Area of significant risk or priority for action	Comment	Action planned	Action taken
Continuing variable compliance with rules and procedures.	There is an increased risk that controls will be diluted as a result of streamlining of management structures in response to the current financial pressures. The consequent loss of experienced staff increases the risk of error. Moreover, these factors combined with the increased incentive brought about by financial hardship during a recession increase the risk of fraud.	Internal Audit assurance work in the 2012-13 audit plan.	Continuing requirement. Strengthening of senior management monitoring of compliance. Internal Audit has maintained an extensive programme of planned audit reviews supplemented by specially commissioned audits undertaken on the basis of risk to the Council. Service management has responded constructively to the conclusions of audit reviews and the recommendations made. Any matters of concern together with any non-implementation of recommendations are reported to the Audit & Risk Committee on a regular basis throughout the year.

## Previous years

Area of significant risk or priority for action	Comment	Action taken
Continuing variable compliance with rules and procedures	As 2011-12 above.	As 2011-12 above.
Management arrangements at De Montfort Hall	Internal Audit and other work associated with De Montfort Hall identified significant failings in the management and administration of De Montfort Hall. Much management attention has been given to addressing the matters identified.	Management improvement plan, supplemented by follow-up Internal Audit review, which found that all necessary improvements had been satisfactorily implemented. Now cleared.

**B. Additional items identified in 2012-13, together with a summary of the action being taken or planned to make the necessary improvements.**

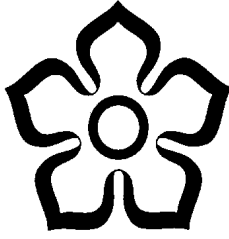
Area of significant risk or priority for action	Comment	Action planned
Medium-term financial strategy	The Council has made £85m of spending cuts since 2010-11 in response to a 40% real terms cut in government funding. Whilst this has been carefully managed and the Council continues to live within its available resources, the government's most recent spending plans (July 2013) indicate a continued trajectory of unprecedented reductions. The methodology adopted by government further adversely affects deprived authorities such as Leicester, who are more reliant on government grant.	The Council continues to manage its medium term-financial strategy carefully, with significant input from the City Mayor and Executive. A process has been agreed and is under way to address the funding challenges the Council faces. In previous budget strategies the Council has agreed £85m of spending reductions in order to deliver a balanced budget. This also includes a managed reserves strategy to enable the City Mayor and Executive to properly plan and consider future reductions appropriately.
Performance management	There is a need to develop the Council's performance management process, with particular reference to the City Mayor's Delivery Plan requirements and to ensure adequate coverage of operational service delivery performance.	Further development work on the required performance indicators and the supporting IT and management systems. Internal Audit has included a review of the new performance management arrangements in its 2013-14 audit plan.
Capital programme monitoring	Monitoring of capital schemes is always challenging, with risks associated with delivery of schemes to specification, on time and within budget.	Establishment of a corporate capital board to ensure that appropriate governance, project management and procurement arrangements are in place for capital projects across the Council.
Voluntary and community sector engagement	There is a need for a more co-ordinated approach to managing our engagement with the Voluntary and Community Sector (VCS) and to be aware at an earlier stage of any emerging issues.	The Council has appointed a Voluntary & Community Sector (VCS) Engagement Manager. The new appointment will play a key role in liaising with the voluntary and community sector and will maintain an overview of our relationships and engagement with the VCS, as well as identifying what we can do as a Council to improve engagement and help ensure the sector is able to respond effectively as a key strategic and delivery partner for the Council.



Area of significant risk or priority for action	Comment	Action planned
<p>Implications of the appointment of the Police and Crime Commissioner and the establishment of the Leicestershire Police and Crime Panel.</p>	<p>Police and Crime Panels (along with elected Police and Crime Commissioners) were introduced by the 2011 Police Reform and Social Responsibility Act. The Act gives the elected Commissioner responsibility for holding the Chief Constable to account, securing an efficient and effective local police force and carrying out functions in relation to community safety and crime prevention.</p> <p>The Leicester City, Leicestershire and Rutland Police and Crime Panel is responsible for publicly scrutinising the actions and decisions of the Police and Crime Commissioner and holding him to account. The Panel should also act as a support for the Commissioner in carrying out his responsibilities.</p> <p>The Panel is made up of one representative from each of the local authorities in the Leicestershire Police Service area. In addition, three further members have been co-opted from Leicester City Council to ensure the Panel better represents the geographical and political balance of the area. The Panel also has two independent co-opted members (who must not be members of any local authority).</p>	<p>Leicester City Council panel members to continue to provide reporting and scrutiny links between the panel and Council Committees.</p>
<p>Health and Social Care Act 2012</p>	<p>This Act signalled wide-ranging reorganisation of the NHS with significant implications for local government. It places greater emphasis on integration between health agencies, social care and other council services to deliver person-centric support that promotes early intervention, independence and health &amp; wellbeing.</p>	<p>Continued integration of the public health function within the City Council along with a greater understanding of the risks this brings.</p> <p>Continued support for the Health &amp; Wellbeing Board (statutorily required now under the Act). Monitoring of delivery of the H&amp;WBB's agreed priorities.</p>

Therefore, all Directors have confirmed that they understand the responsibilities placed upon them and in particular that:

- Subject to the identified areas of significant risk and priorities for action, all of the services for which they are responsible have in place processes and procedures that align to these principles and to the best of their knowledge and belief these processes are operating satisfactorily;
- The Directors as a management team set the 'tone from the top', embedding core values and principles throughout all Council service areas.



Leicester  
City Council

**WARDS AFFECTED:**  
ALL

## **FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

**Audit & Risk Committee**  
**Council**

**24<sup>th</sup> September 2013**  
**21<sup>st</sup> November 2013**

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### **Annual Report of the Audit & Risk Committee to Council for the financial year 2012-13**

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#### **Report of the Director of Finance**

#### **1 PURPOSE OF REPORT**

- 1.1 To present to the Council the annual report of the Audit & Risk Committee setting out what the Committee has achieved over the municipal year 2012-13.
- 1.2 There is no specific requirement for such a report. However, best practice is for the Audit & Risk Committee to be able to demonstrate its effectiveness in overseeing the City Council's control environment and this is reflected in the Committee's terms of reference. This report was presented to the Committee for approval at its meeting on 24<sup>th</sup> September 2013.

#### **2 RECOMMENDATIONS**

- 2.1 The Audit & Risk Committee is recommended to approve this report for submission to the Council.
- 2.2 The Council is recommended to receive this report.

#### **3 SUMMARY**

- 3.1 The Audit & Risk Committee has considered a wide range of business in fulfilment of its central role as part of the Council's system of corporate governance and internal audit and control. It has conducted its business in an appropriate manner through a programme of meetings and has fulfilled the expectations placed upon it.
- 3.2 The report covers the municipal year 2012-13 rather than the financial year. This is because the Audit & Risk Committee meeting scheduled for 14<sup>th</sup> March

2013 was deferred until 9<sup>th</sup> April, supplemented by further consideration of two of the agenda items at an additional special meeting on 8<sup>th</sup> May.

### 4 REPORT

4.1 During the year under review, the Committee's terms of reference were reviewed to ensure compliance with current best practice. As the terms of reference were substantially re-written in 2010 the changes were essentially matters of detail, concerning:

- Recognition of the Committee's designation as 'the Board' under the new *Public Sector Internal Audit Standards*<sup>1</sup>. This formalises the role of the Committee in overseeing Internal Audit's work on the Council's behalf under the new professional standards
- In the interests of protecting external audit independence, addition of the responsibility to approve any non-audit work to be undertaken by the Council's external auditors, KPMG
- Updates in terminology.

4.2 The changes were agreed by the Committee at its meetings on 9<sup>th</sup> April and 8<sup>th</sup> May 2013 and the Council on 23<sup>rd</sup> May 2013.

4.3 The Committee is well established and is making an important contribution to the effectiveness of the City Council's internal control and corporate governance frameworks. It is also a central component of the Council's system of internal audit.

#### **Achievements of the Committee**

4.4 During the municipal year 2012-13, the Committee met on eight occasions:

- 14<sup>th</sup> June 2012
- 17<sup>th</sup> July 2012
- 27<sup>th</sup> September 2012
- 18<sup>th</sup> October 2012 (supplementary meeting)
- 4<sup>th</sup> December 2012 (deferred from 18<sup>th</sup> November 2012)
- 7<sup>th</sup> February 2013
- 9<sup>th</sup> April 2013 (deferred from 14<sup>th</sup> March)
- 8<sup>th</sup> May 2013 (supplementary meeting)

The Committee's agreed schedule is for at least three meetings a year. All of the Committee's meetings have been properly constituted and quorate.

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<sup>1</sup> Issued jointly by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA) as the recognised professional and ethical standards for public sector internal audit. These standards are aligned with international professional standards and came into effect on 1<sup>st</sup> April 2013, replacing the former CIPFA *Code of Practice for Internal Audit in Local Government in the UK 2006*.

- 4.5 Attached at Appendix 1 is a summary of the Committee's work for the period under review.
- 4.6 Following the appointment of the previous Chair of the Committee to the Executive, the Committee has had a new Chair, appointed in accordance with the Council's Constitution, with effect from its meeting on 4<sup>th</sup> December 2012.
- 4.7 Key outcomes from the Committee's work:

### *The role of the Committee*

- The Committee has continued to keep its own terms of reference under review to ensure compliance with current best practice.
- Members considered their training needs in support of their role on the Committee. In furtherance of this, Members received briefings on a number of relevant topics, including the handling of insurance claims against the Council, business continuity management and the risks to the Council from the changes to the welfare benefits system.

### *Internal Audit*

- The Committee approved an update to the Council's Internal Audit Charter, which establishes the terms of reference of the Internal Audit service including its scope, responsibilities and position within the organisation.
- The Committee formally approved the new *Public Sector Internal Audit Standards*<sup>1</sup> as the recognised professional standards for the Internal Audit service. As part of this, the Committee formally adopted the role of 'the Board' on behalf of the Council in terms of the overseeing of the Council's arrangements for audit, the management of risk and the corporate governance assurance framework.
- The Committee considered the Internal Audit plan and monitored its delivery and outcomes during the year. The Committee requested the attendance of officers to discuss in more depth specific issues raised by Internal Audit reports. This has helped to maintain the profile of the Committee and its role in promoting adherence to procedures and improved internal control.
- The Committee received and approved the annual review of the effectiveness of the Council's system of internal audit, as required under regulation 6(3) of the Accounts and Audit (England) Regulations 2011. Further detail on this is given below at paragraph 4.12.

### *Fraud*

- The Committee maintained an effective overview of the Council's measures to combat fraud and financial irregularity. Specifically, the Committee:
  - Considered and approved the annual update of Council's Anti-Fraud, Bribery and Corruption Policy and Strategy, setting out measures to manage the risk of fraud

- Considered the annual counter-fraud report, which brought together the various strands of counter-fraud work in 2011-12 with examples of the types of work carried out by the teams involved
- Reviewed and supported the Council's participation in the National Fraud Initiative and the outcomes thereof
- Considered the Council's approach to the prevention and detection of housing tenancy fraud in response to increased emphasis on this nationally
- Considered the Council's updated disclosure strategy, encompassing the various disclosures that may be made by a range of people about the conduct of City Council staff. This includes the policies and processes for whistle-blowing (public interest disclosure), complaints and grievances.

### *External audit*

- The Committee considered the external auditor's plans and progress and the outcomes of this work.
- The Committee reviewed the new external audit arrangements for local authorities, arising from the forthcoming abolition of the Audit Commission. The Committee received updates on this from the Council's new external auditor, KPMG. The Committee approved a policy for approving non-audit work commissioned from KPMG by the Council, the purpose being to safeguard audit independence.
- The external auditor places reliance on Internal Audit work in connection with the external audit of the Council's accounts and the certification of certain grant claims and returns. The Committee has received reports on the outcomes of such work and to this extent is fulfilling its responsibility to promote an effective working relationship between the two audit functions.

### *Risk Management*

- The Committee confirmed the Risk Management Strategy and Policy and Corporate Business Continuity Management Strategy. The Committee maintained a regular overview of the risk management arrangements including the Council's strategic and operational risk registers and 'horizon-scanning' for potential emerging risks to the Council and its business.
- The bringing together of Internal Audit and Risk Management under one head of service has enabled greater coordination between the two related disciplines, including reporting to the Committee.

### *Corporate Governance*

- During 2012-13, the Committee has fulfilled the responsibility of 'those charged with governance' for the purposes of the City Council's compliance with the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*. However, as noted above, these professional standards have been replaced with effect from 1<sup>st</sup> April 2013 by the new *Public Sector Internal Audit Standards*. The new

standards were formally approved by the Committee as the recognised professional standards for the Internal Audit service, with the Committee being designated as 'the Board' for the purposes of its role in overseeing the Council's internal audit arrangements.

- The Committee maintained its oversight of the Council's corporate governance arrangements. The Council's updated assurance framework, which maps out the process for collating the various sources of assurance and from them preparing the Council's statutory<sup>2</sup> Annual Governance Statement, was reviewed and approved by the Committee.
- Alongside this was the approval by the Committee of the updated Local Code of Corporate Governance. The changes in senior management at the Council mean that further work is being done in 2013 on the practical application of the corporate governance process so as to be pragmatic as well as robust.
- The Committee approved the draft Annual Governance Statement for 2011-12.
- This annual report to Council is itself part of the governance arrangements, through giving a summary of the Committee's work and contribution to the good governance of the City Council and demonstrating the associated accountability.

### *Financial reporting*

- The Committee received and approved the Council's statutory Statement of Accounts for 2011-12 and associated external audit reports. It approved the Council's letter of representation, by means of which the City Council gives assurance to the external auditor; there were no significant items that were not reflected in the Council's accounting statements.

### **Effectiveness of Committee's work**

- 4.8 In considering the above, it is concluded that the Committee fulfilled in all material respects the requirements of its terms of reference.
- 4.9 One of the Committee's principal objectives is to support the Council's corporate governance responsibilities in relation to internal control. Table 1 and the accompanying graph (chart 1) below demonstrate that the proportion of internal audits where *little or no assurance* was given has increased in 2012-13, as has the percentage of *partial* and *little or no assurance* combined. However, for *little or no assurance*, the numbers and proportions remain minor.
- 4.10 As part of its responsibility 'to review and challenge management's responsiveness to internal audit findings and recommendations' the Committee reserves the right to call to account officers responsible for those areas where *little or no assurance* can be given. This has happened during the year in question and in terms of the effectiveness of the Committee the overall trend is positive.

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<sup>2</sup> Regulation 4(3) of the Accounts and Audit (England) Regulations 2011

## Audit & Risk Committee: Draft Annual Report to Council for 2012-13

- 4.11 The work of the Committee is also reflected in the 'Annual Governance Report' of the external auditor. In this statement for the 2011-12 financial statements (considered by the Committee in 2012-13) the auditors confirmed that their audit opinion would be 'unqualified' and that the Council has 'made proper arrangements to secure economy, efficiency and effectiveness in (its) use of resources'.

**Table 1: Levels of assurance in Internal Audit final reports 2009-10 to 2012-13**

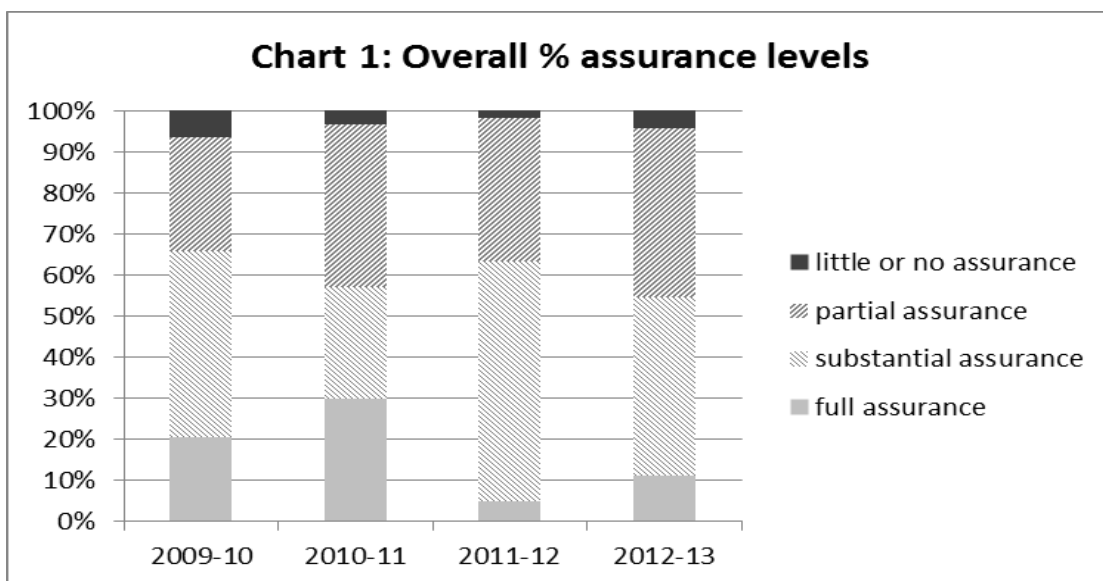
	2009-10	2010-11	2011-12	2012-13
<b>Audit reviews (excluding schools)</b>				
<i>full assurance</i>	5	9	5	8
<i>substantial assurance</i>	38	29	40	14
<i>partial assurance</i>	42	43	26	24
<i>little or no assurance</i>	2	3	2	4
<i>not assessed</i> <sup>3</sup>	9	11	17	17
<b>Total</b>	96	95	90	67
<b>Schools (FMSiS)<sup>4</sup></b>				
<i>full assurance</i>	26	27		
<i>substantial assurance</i>	31	2		
<i>partial assurance</i>		1		
<i>little or no assurance</i>	8	0		
<i>not assessed</i>		0		
<b>Total</b>	<b>65</b>	<b>30</b>		
<b>School (KYB)<sup>5</sup></b>				
<i>full assurance</i>		0	0	2
<i>substantial assurance</i>		2	22	25
<i>partial assurance</i>		4	11	13
<i>little or no assurance</i>		1	0	0
<i>not assessed</i>		0	0	1
<b>Total</b>		7	33	41

<sup>3</sup> Some audit work is purely advisory or is based on the accuracy of, for example, grant claims and does not involve an assessment of the strength of controls in the activity in question. No level of assurance is given for these.

<sup>4</sup> FMSiS (Financial Management Standard in Schools): a process of independent assessment against mandatory national criteria set by the Department for Education. The scheme was abandoned by the DfE late in 2010 and since then Internal Audit has been undertaking KYB school audits (see next footnote below).

<sup>5</sup> KYB: traditional financial audits of schools using the *Keeping Your Balance* good practice guidance issued jointly by Ofsted and the Audit Commission as a basis.





4.12 The Committee considered at its meeting on 17<sup>th</sup> July 2013 the annual review of the effectiveness of the system of internal audit, as required by the Accounts and Audit (England) Regulations 2011. This review found that for 2012-13 the Audit & Risk Committee met all of the main indicators of being an effective audit committee as set out by CIPFA<sup>6</sup>. The criteria include:

- Regular meetings
- Sufficient independence of other functions
- Constructive meetings, conducted freely and openly and without political influence
- Properly updated and approved terms of reference with a sufficient spread of responsibilities for internal and external audit, governance and risk management
- Playing a sufficient part in the management of Internal Audit including approval of audit plans, review of Internal Audit performance and the outcomes of audit work plus management's responses to it
- Maintaining a proper overview of the relationship with and the work of the external auditor.

4.13 As in the previous year, the Audit & Risk Committee made further good progress in developing its role and effectiveness in improving the overall control framework of the Council. There were some changes in the membership of the Committee in May 2012.

4.14 As has been acknowledged in previous years, annual changes in membership are to be expected but can hinder the development of expertise and knowledge acquired by members. As a result, and given the complexities of the Committee's business, meetings of the Committee are normally preceded by a briefing or training session on a particular topic with relevance to that evening's agenda. Overall, during 2012-13, the Committee's membership

<sup>6</sup> Chartered Institute of Public Finance & Accountancy: *Audit Committees: Practical Guidance for Local Authorities*, 2005.

was such as to ensure that the Committee had a positive effect on the Council's control environment.

- 4.15 The Head of Internal Audit & Risk Management attends all meetings of the Committee. In addition, and in the interests of providing the full range of legal, constitutional and financial advice and expertise, meetings of the Committee are routinely attended by the Director of Finance and the City Barrister & Head of Standards (who is also the Council's designated monitoring officer) or their representatives.

### **Conclusions**

- 4.16 It is the view of the Head of Internal Audit & Risk Management and the Director of Finance that during the municipal year 2012-13 the Audit & Risk Committee made a significant contribution to the good governance of the City Council. Through its work, it has reinforced the Council's systems of internal control and internal audit and has given valuable support to the arrangements for corporate governance, legal compliance and the management of risk.
- 4.17 However, there remains a need to support members with relevant training and briefings on the Committee's responsibilities for internal and external audit, risk management and internal control and governance. These are technically complex subjects, especially in the context of the governance of a large local authority. The effectiveness of the Committee is enhanced by having members who have sufficient expertise and experience, attributes which benefit by continuity of membership. As it often takes the whole of the year for which Members are appointed to this Committee for them to feel competent, it is recommended that this particular Committee would benefit from continuing membership, extending beyond the normal annual appointment. At the very least, it is recommended that the Chair should be retained or, if being replaced, the replacement should be a Councillor who has served on the Committee previously. This will help to ensure that the Committee can be fully effective from its very first meeting of the year.

## **5 FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **5.1 Financial Implications**

An adequate and effective Audit & Risk Committee is a central component in the governance and assurance processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. Its support for the processes of audit and internal control will help the Council as it faces the financially challenging times ahead.

### **5.2 Legal Implications**

The Audit & Risk Committee also aids the fulfilment by the Council of its statutory responsibilities under the Accounts and Audit Regulations 2011 for monitoring the Council's system for internal control. It is an important part of the way the duties of the Director of Finance are met as the responsible financial officer under s151 of the Local Government Act 1972.

**5.3 Climate Change Implications**

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

**6 Other Implications**

<b>OTHER IMPLICATIONS</b>	<b>YES/NO</b>	<b>Paragraph references within supporting information</b>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	Yes	4.7 – references to fraud
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities	No	
Risk Management	Yes	The whole report concerns the audit, risk management and governance process, a main purpose of which is to give assurance to Directors and this Committee that risks are being properly identified and managed appropriately by the business.

**7 BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972**

Minutes of the Audit and Risk Committee 14<sup>th</sup> June, 17<sup>th</sup> July, 27<sup>th</sup> September, 18<sup>th</sup> October, 4<sup>th</sup> December 2012, 7<sup>th</sup> February, 9<sup>th</sup> April and 8<sup>th</sup> May 2013.

**8 CONSULTATIONS**

City Barrister & Head of Standards.

**9 REPORT AUTHOR**

Steve Jones, Audit Manager, Internal Audit, Financial Services, extension 37 1622.

## Summary of work of the Audit and Risk Committee – municipal year 2012-13

This table shows the activities of the Audit & Risk Committee during the municipal year 2012-13 alongside the terms of reference of the Committee. There is no area that has not been covered at least sufficiently by the Committee.

Terms of Reference	Date considered	Item	Outcome
<b>1. AUDIT FRAMEWORK</b>			
<b>1.1 Internal Audit</b>			
On behalf of the Council, to approve the Head of Internal Audit's annual report and opinion, considering the level of assurance given over the Council's corporate governance arrangements and decide on appropriate actions.	17.7.12	Summary of Internal Audit Conclusions 2011-12	Approved
To consider, challenge and approve (but not direct) Internal Audit's strategy and plan and monitor performance on an annual basis.	14.6.12	Internal Audit Operational Plan 2012-13	Approved
	14.6.12	Review of Internal Audit Charter	Approved
	7.2.13	Draft Internal Audit Operational Plan 2013-14 - consultation	Comments made
	9.4.13	Final Internal Audit Operational Plan 2013-14 - approval	Approved
	9.4.13	Review of Internal Audit Charter and the Public Sector Internal Audit Standards	Approved
To receive summaries of Internal Audit reports and the main issues arising.	4.12.12	Internal Audit Update - April 2012 to September 2012	Approved
	7.2.13	Internal Audit Update - October to December 2012	Approved
	9.4.13	Internal Audit Update - January 2013	Approved
To review and challenge management's responsiveness to the internal audit findings and recommendations, seeking assurance that appropriate action has been taken where necessary and agreed recommendations have been implemented within a reasonable timescale.	As last item	As last item	
	4.12.12	Internal Audit follow-up of De Montfort Hall Management Improvement Plan	Approved
	7.2.13	Former Post Office - Bishop Street	Approved. Further information requested (next item).
	9.4.13	Vacant Properties	Approved
To monitor and assess the role and effectiveness of the Internal Audit function.	17.7.12	Review of the Effectiveness of the System of Internal Audit 2011-12	Approved
In fulfilling these functions, the Audit & Risk Committee fulfils the role of 'board' for the purposes of the <i>Public Sector Internal Audit Standards</i> .	14.6.12	Audit & Risk Committee training review and skills self-assessment	Approved

## Summary of work of the Audit and Risk Committee – municipal year 2012-13

Terms of Reference	Date considered	Item	Outcome
<b>1.2 External Audit</b>			
On behalf of the Council, to review with the external auditor and inspection agencies the findings of their work including any major issues which are unresolved; key accounting and audit judgments; and the levels of errors identified during the audit. The Committee should obtain explanations from management and from external auditors, where necessary, as to why errors might remain unadjusted.	27.9.12	Statutory Statement of Accounts, Annual Governance Report 2011-12 and Letter of Representation	Approved
	27.9.12	Building Schools for the Future - Audit Commission report	Approved
	4.12.12	External Auditor's Annual Audit & Inspection Letter 2011-12	Approved
	9.4.13	Certification of Grant, Claims and Returns 2011-12 Annual Report (external auditor)	Approved
To consider the scope and depth of external audit work and to assess whether it gives value for money.	14.6.12	Audit Commission Plan for audit of 2011-12 accounts	Approved
	9.4.13	Annual External Audit Plan for 2012-13	Approved
To liaise with the Audit Commission (or such other body that assumes this responsibility) over the appointment of the Council's external auditor and conduct such other related functions as required by the local public audit regime.	14.6.12	Update on changes in external audit provision	Noted
	17.7.12	Audit Commission - update for A&R Committee on progress with LCC audit plus externalisation of their Audit Practice (i.e. KPMG)	Noted and queried
To facilitate effective relationships between external and internal audit, inspection agencies and other relevant bodies and ensure the value of these audit relationships is actively promoted.	Various	Reference to joint working or coordination is made in various internal and external reports.	Noted
To approve any instances of non-audit work by the external auditors in accordance with the <i>Policy for Engagement of External Auditors for Non-Audit Work</i> and report any such instances to the Council.	9.4.13 8.5.13	Policy for Non-Audit Work by External Auditor (finally approved 8.5.13)	Challenged and eventually approved
<b>2. RISK MANAGEMENT FRAMEWORK</b>			
On behalf of the Council, to consider and challenge the effectiveness of the Council's Risk Management Strategy and Framework, including the Risk Management and Insurance Services function.	14.6.12	Risk Management & Insurance Services update	Approved
	17.7.12	Risk Management & Insurance Services update	Approved
	18.10.12	Risk Management & Insurance Services update	Approved
	4.12.12	Risk Management & Insurance Services update	Approved
	7.2.13	Risk Management & Insurance Services update	Approved
	9.4.13	Risk Management & Insurance Services update	Approved

## Summary of work of the Audit and Risk Committee – municipal year 2012-13

Terms of Reference	Date considered	Item	Outcome
To consider and approve, on behalf of the Council, the Council's Risk Management Strategy and its key risk management policies including the Council's statement of overall risk appetite.	7.2.13	Risk Management & Insurance Services update including Risk Management Strategy 2013, Risk Management Policy Statement 2013 and Business Continuity Management (BCM) Strategy 2013 (including training in BCM)	Approved
To approve, on an annual basis, the Risk Management and Insurance Services function's terms of reference and its annual plan.	7.2.13	As last item.	Approved
To review (and take any actions as a consequence of) reports from the Head of Internal Audit & Risk Management in respect of the status of key current and emerging risks and internal controls relating to those risks (the Operational and Strategic Risk Registers).	14.6.12	Risk Management & Insurance Services update	Approved
	17.7.12	Risk Management & Insurance Services update	Approved
	18.10.12	Risk Management & Insurance Services update	Approved
	4.12.12	Risk Management & Insurance Services update	Approved
	7.2.13	Risk Management & Insurance Services update	Approved
	9.4.13	Risk Management & Insurance Services update	Approved
<b>3. INTERNAL CONTROL AND GOVERNANCE FRAMEWORK</b>			
To review the adequacy of the Council's internal control framework through review of its system of internal control and system of internal audit and overseeing the production and approval of the Council's Annual Governance Statement prepared in accordance with the Local Code of Conduct Governance.	9.4.13 8.5.13	Corporate Governance, Assurance Framework and annual review of the Committee's terms of reference	Approved
	17.7.12	Review of the Effectiveness of the System of Internal Audit 2011-12	Approved
	17.7.12	Draft Annual Governance Statement 2011-12	Approved
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts. (The Committee is to do this before approving the Council's published financial statements. The Committee should take note of any adjustments set out in the external auditor's report and agree any such adjustments where management has declined to do so or set out the reasons for not doing so.)	27.9.12	Statutory Statement of Accounts, Annual Governance Report 2011-12 and Letter of Representation	Approved
To maintain an overview of the Council's Constitution in respect of contract procedure rules, finance procedure rules and codes of conduct and behaviour.	Various	Reference is made to constitutional requirements and rules of procedure where relevant in internal and external audit reports.	Noted
	18.10.12	Disclosure Strategy (included code of conduct)	Approved

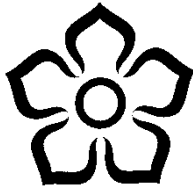
## Summary of work of the Audit and Risk Committee – municipal year 2012-13

Terms of Reference	Date considered	Item	Outcome
To review and approve, on an annual basis, the Council's anti-fraud, bribery and corruption and its disclosure (whistle-blowing) policies and procedures.	7.2.13	Anti-Fraud, Bribery and Corruption Policy and Strategy - annual review and update	Approved
	7.2.13	National Fraud Initiative - progress report	Approved
	7.2.13	Counter-Fraud update report - first nine months 2012-13	Approved
<p>Annually, to assess all significant risk issues considering:</p> <ul style="list-style-type: none"> <li>o Changes since the last annual assessment and the Council's response;</li> <li>o The scope and quality of management's ongoing monitoring of risks and the system of internal control;</li> <li>o The incidence of significant control failings in relation to all significant risks and their impact.</li> </ul>	14.6.12 17.7.12 18.10.12 4.12.12 7.2.13 9.4.13	Risk Management & Insurance Services updates	Approved
<p>To review regular reports from Internal Audit and Risk Management on risk and internal controls, considering:</p> <ul style="list-style-type: none"> <li>o The effectiveness of systems of internal control across the Council</li> </ul>	17.7.12	Summary of Internal Audit Conclusions 2011-12	Approved
	4.12.12	Internal Audit Update reports	Approved
	7.2.13		
	9.4.13		
<ul style="list-style-type: none"> <li>o Reports on major control issues and their impact on the Council's risk profile.</li> </ul>	Various	Risk Management & Insurance Services update	Approved
<p>To consider and decide on appropriate actions relating to the Council's compliance with its own and other published or regulatory policies, standards and controls, including:</p> <ul style="list-style-type: none"> <li>o Information assurance including compliance with the Data Protection Act;</li> <li>o Freedom of Information Act;</li> <li>o Health &amp; Safety at Work;</li> <li>o The Disclosure Policy</li> <li>o Complaints;</li> <li>o Raising Concerns at Work; and</li> <li>o Others as appropriate.</li> </ul>	4.12.12 7.2.13 9.4.13	Internal Audit Update reports (which include reference to the various legal and policy requirements as relevant to the specific subject matter)	Approved
		18.10.12	Disclosure Strategy
<b>4. FINANCIAL REPORTING FRAMEWORK</b>			
To review and approve the Council's published financial statements, the external auditor's annual opinion and other reports to Members and to monitor management action in response to issues raised.	17.7.12	Draft Statement of Accounts 2011-12	Approved

## Summary of work of the Audit and Risk Committee – municipal year 2012-13

Terms of Reference	Date considered	Item	Outcome
To review and approve the annual statement of accounts and the annual Letter of Representation on behalf of the Council, giving particular attention to critical accounting policies and practices, decisions requiring a significant element of judgement, how any unusual transactions should be disclosed and the clarity of the disclosures.	27.9.12	Statutory Statement of Accounts, Annual Governance Report 2011-12 and Letter of Representation	Approved
To bring to the attention of the Council any concerns arising from the financial statements or from the audit.		None.	
<b>5. OTHER MATTERS</b>			
To consider, approve or make recommendations in respect of any other matters referred to it by the City Mayor, Chief Operating Officer (as the Head of Paid Service) or a Director or any Council body.	9.4.13	Training - Risks to LCC from Changes to Benefits System	
To consider any relevant matters reserved for Member-level decision as detailed in Rules of Procedure.		None	
To present an annual report to the Council on the Committee's conduct, business and effectiveness.	4.12.12 (Council 24.1.13)	Draft A&R Committee annual report to Council 2011-12	Approved. Presented to Council 24.1.13





Leicester  
City Council

**WARDS AFFECTED**  
All

# Appendix F

## **FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

<b>Strategic Management Board</b>	<b>6<sup>th</sup> August 2013</b>
<b>Operational Board</b>	<b>7<sup>th</sup> August 2013</b>
<b>Finance Management Team</b>	<b>22<sup>nd</sup> August 2013</b>
<b>Audit &amp; Risk Committee</b>	<b>24<sup>th</sup> September 2013</b>

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## **INTERNAL AUDIT ANNUAL REPORT 2012-13**

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### **Report of the Director of Finance**

#### **1 Purpose of Report**

- 1.1** Internal Audit is an independent appraisal function established for the review of the internal control system as a service to the Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2** This report fulfils the requirements of the CIPFA professional standards for Internal Audit in producing the Internal Audit Annual Report. The terms of reference for the Audit & Risk Committee also include the Committee's requirement to approve the Head of Internal Audit's annual report and to monitor performance on an annual basis. This report provides the Boards and Committee with an overall view of:
- Internal Audit work planned and completed in 2012-13
  - Internal Audit performance and benchmarking results
  - Internal Audit service developments in 2012-13
  - Internal Audit service development plans for 2013-14.

#### **2 Recommendations**

The Audit & Risk Committee is recommended to:

- Receive the report
- Consider whether Internal Audit has met the Committee's expectations of the service during the year 2012-13
- Approve the changes made to the Internal Audit plan for 2012-13
- Make any recommendations it sees fit to the Director of Finance or the Executive.

### **3 Summary**

**3.1** The annual report, which is attached at Appendix A, identifies the work carried out by the Internal Audit service and includes information on reports issued, the main influences on the level and standard of performance of Internal Audit during 2012-13 and the key priorities for the service in 2013-14.

**3.2** The key issues identified within that report are:

- Successful completion of 116 internal audits (to at least draft report stage), which have been well received by clients and have contributed to the effective governance of the City Council.
- The attainment of Internal Audit's target for completion of the audit plan.
- The successful retention of EMAS (Eco-Management and Audit Scheme) accreditation, in which Internal Audit's input was once again recognised by the external verifiers. (It is noted, however, that the Council's continued accreditation for EMAS is under review.)

**3.3** As part of its work, Internal Audit considers the systems of internal control, draws conclusions as to their existence and effectiveness and makes recommendations where necessary to improve performance, efficiency, effectiveness and economy in the use of resources by the Council.

**3.4** A summary of the conclusions from Internal Audit's work during 2012-13 is prepared separately to supplement this report. It will be issued to the Director of Finance and is also due to be considered by the Audit & Risk Committee at its meeting on 24<sup>th</sup> September 2013. The overall conclusion drawn is that the Council has an adequate system of internal control.

### **4 Report**

**4.1** See Appendix A.

### **5 Financial, Legal and Other Implications**

#### **5.1 Financial and Legal Implications**

Audit is designed to give assurance that best use is being made of financial and other resources.

Internal Audit's work promotes sound financial management and legal compliance in all areas subject to review.

#### **5.2 Climate Change Implications**

Other than its references to EMAS audit reports issued during 2012-13 this report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council's climate change targets.

## 6 Other Implications

Other Implications	Yes/No	Paragraph/reference within supporting information
Equal Opportunities	No	-
Policy	No	-
Sustainable and Environmental	Yes	Section 5 of Appendix A
Crime and Disorder	No	-
Human Rights Act	No	-
Elderly/People on Low Income	No	-
Corporate Parenting	No	-
Health Inequalities Impact	No	-
Risk Management	Yes	The whole report concerns the Internal Audit process and its outcomes, a main purpose of which is to give assurance to Directors and this Committee that risks are being properly identified and managed appropriately by the business.

## 7 Background Papers – Local Government Act 1972

Files held by Internal Audit.

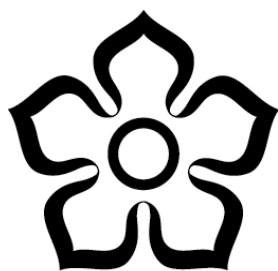
## 8 Consultations

Information relating to Internal Audit reports referred to has been shared with members of the Audit & Risk Committee and relevant Directors.

## 9 Report Author

Steve Jones, Audit Manager, Internal Audit, Financial Services, extension 37 1622.

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Leicester  
City Council

Internal Audit  
Leicester City Council

# Internal Audit Annual Report 2012-13

August 2013

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## **1 Introduction**

- 1.1** The duties of the Audit & Risk Committee as set out in its terms of reference include:

*On behalf of the Council approve the Head of Internal Audit's annual report and opinion, considering the level of assurance given over the Council's corporate governance arrangements and decide on appropriate actions.*

and

*To consider, challenge and approve (but not direct) Internal Audit's strategy and plan and monitor performance on an annual basis.*

- 1.2** In addition, recognised Internal Audit professional standards (the *Code of Practice for Internal Audit in Local Government in the United Kingdom*, published by the Chartered Institute of Public Finance & Accountancy) require the production of an annual report on the work of the Internal Audit function<sup>1</sup>.
- 1.3** This report fulfils these requirements by providing the Committee with an overall view of audit work planned and audit work completed.
- 1.4** The report identifies the work carried out by Internal Audit<sup>2</sup> and includes information on reports issued, the main influences on the level and standard of performance of Internal Audit during 2012-13 and the key priorities for the service in 2013-14.

## **2 Summary of the year**

- 2.1** During the financial year 2012-13, Internal Audit:
- Successfully completed 116 internal audits (to at least draft report stage), which have been well received by clients and have contributed to the effective governance of the City Council.
  - Attained the agreed target for completion of the audit plan.
  - Contributed to the successful retention of the Council's accreditation under the Eco-Management and Audit Scheme (EMAS). Internal Audit's input was once again recognised by the external EMAS verifiers.

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<sup>1</sup> The CIPFA *Code of Practice* has been superseded with effect from 1<sup>st</sup> April 2013 by the *Public Sector Internal Audit Standards*. The *Code of Practice* was in force, however, for the whole of the year under review.

<sup>2</sup> There is a separate annual report for the Council's Counter-Fraud team.

### 3 Internal Audit Plan Monitoring

3.1 Each year, Internal Audit undertakes a programme of work both in fulfilment of an annual Audit Plan and in response to specific requests for audit assistance. The Audit & Risk Committee approved the 2012-13 plan on 14<sup>th</sup> June 2012.

#### 3.2 Completion of Plan: Internal Audit work 2012-13

3.2.1 Internal Audit completed 91% of the total audit work required for 2012-13 by 31<sup>st</sup> March 2013, exceeding the target of 80% of the revised audit plan, as follows:

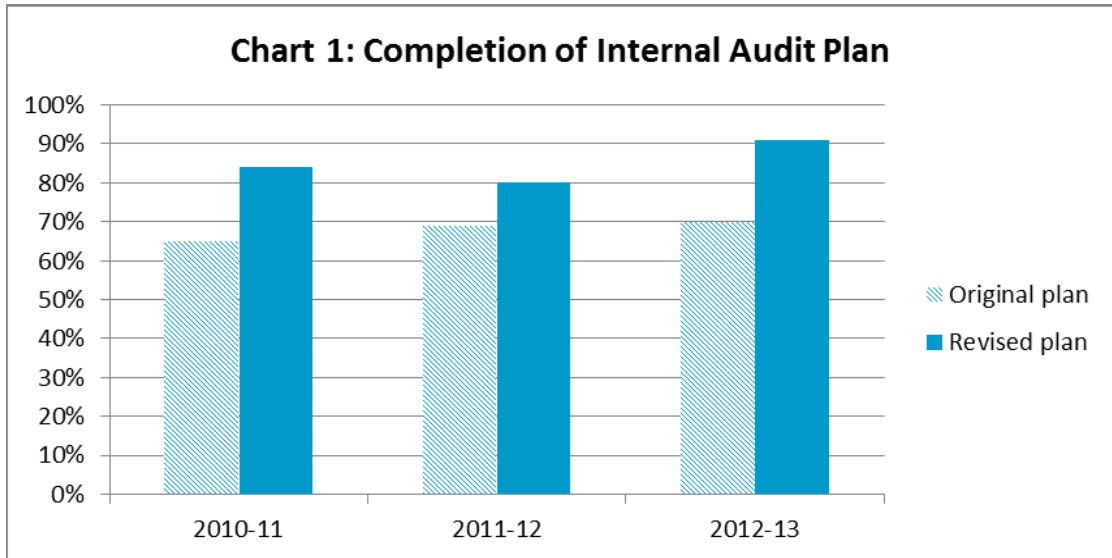
Type of audit	Final	Draft	WIP	Not started	Total revised plan	Canc-elled	Total original plan
2011-12 Planned	18	0	0	0	18	5	<b>23</b>
2011-12 Commissioned	5	0	0	0	5	3	<b>8</b>
2012-13 Planned	67	7	7	3	84	23	<b>107</b>
<b>Original plan no. audits</b>	90	7	7	3	N/A	31	<b>138</b>
<b>Original plan no. completed</b>	97						
% completion based on original <sup>3</sup> plan			70%				
2012-13 Commissioned	18	1	2	0	<b>21</b>	3	N/A
<b>Grand total no. audits</b>	<b>108</b>	<b>8</b>	<b>9</b>	<b>3</b>	<b>128</b>	N/A	N/A
<b>Revised plan no. completed</b>	116						
% <sup>4</sup> completion based on revised plan			91%				

3.2.2 Chart 1 below highlights the improving performance of Internal Audit over the last three years in completing the audit plan, both in its original form (as it is agreed at the start of the year), and the revised audit plan (the key measure, as this is what the final version of the audit plan looks like, following audit cancellations, and additional commissioned audits).

<sup>3</sup> The original plan includes audits brought forward from the previous year. The revised plan includes amendments to the original plan, including cancellations and commissioned audits in 2012-13.

<sup>4</sup> The % completion is based on the number of audits that have reached draft or final report stage.





3.2.3 Adjustments need to be made to the plan during the year, as priorities change and new audit requirements arise, mostly for reasons beyond the control of Internal Audit. There is a process to ensure that commissioned audits do not result in planned audits of higher assessed risk not being done. However, some changes to the plan cannot be avoided, and these are listed below at [3.3](#).

3.2.4 The list of planned and commissioned audits and their status at the year-end is summarised in Appendix 1.1.

### 3.3 Changes required to the audit plan

3.3.1 From time to time it is necessary to make changes to the audit plan to reflect changes in circumstances.

3.3.2 The following adjustments to the agreed plan are brought to the Committee's attention; resources are stated in audit days. Many of these have already been approved by the Committee but are included in this annual report for completeness.

<b>Changes previously agreed by Audit &amp; Risk Committee on 9<sup>th</sup> April 2013</b>			
<b>Review</b>	<b>Planned resources (audit staff days)</b>		<b>Comment</b>
	<b>Original</b>	<b>Revised</b>	
CareFirst IT Application 2012-13	5	0	Delayed because of IT Auditor vacancy. Will be deferred to 2013-14 if required.
Protective Monitoring (Information Assurance) IT audit 2012-13	10	0	Not yet ready for audit. May be reinstated in 2013-14 if required.
Firewalls IT audit 2012-13	20	0	Delayed because of IT Auditor vacancy. Will be deferred to 2013-14 if required.
PAMIS (Property) IT Application replacement 2012-13	5	0	Delayed because of IT Auditor vacancy. Will be deferred to 2013-14 if required.
Microsoft Migration IT audit 2012-13	20	0	This audit has been deferred awaiting technical implementation; it will be planned for 2013-14 and will concentrate on the Sharepoint system.
Property Services contracts 2012-13	25	0	External consultants are currently assisting in enhancing the arrangements for contracts in Property Services. This plus the impending replacement of the PAMIS IT system make an Internal Audit review unnecessary at this time. It is included for audit review in 2013-14.
IT contracts 2012-13	20	0	Management are recruiting a new IT contracts specialist, to be in post in the new financial year; therefore this audit has been postponed until 2013-14.
Risk Management 2012-13	10	0	Overtaken by the re-merger of Internal Audit with Risk Management. There will be greater integration of Internal Audit work with the risk registers. Future audit review of the risk management process will be determined based on the new arrangements.

## Appendix A

# Internal Audit Annual Report 2012-13

Changes previously agreed by Audit & Risk Committee on 9 <sup>th</sup> April 2013			
Review	Planned resources (audit staff days)		Comment
	Original	Revised	
Resources Management System (including IT audit) 2012-13	15	0	Deferred. This audit will be reinstated in 2013-14. It is intended that the scope of this audit will take account of the stated intention of KPMG as the Council's new external auditor to place reliance on Internal Audit work.
Housing Benefits 2012-13	30	0	Key personnel supporting the IT system for Housing Benefits left in 2012-13. The forthcoming changes to the benefits regime are currently the focus of management attention. For these reasons, audit work has been postponed but is included in the audit plan for 2013-14.
Health & Safety 2012-13	10	0	Deferred pending management changes. May be reinstated in the 2013-14 operational audit plan.
EMAS Level 1 audit – the EMAS System 2012-13	10	0	This is an overview audit of the EMAS system, to supplement service-specific audits of individual locations such as depots and schools. As the Council's continued accreditation for EMAS is under review, with a decision due by late summer 2013, an audit of the system itself was not considered worthwhile in 2012-13. If the decision is made to continue with EMAS, this audit will be reinstated in 2013-14.
EMAS audit – Woodstock Primary School 2012-13	4	0	EMAS is optional for schools. Despite signing up for EMAS, this school was not willing to be audited.
eGov Hub IT audit 2012-13	5	0	Commissioned audit, so not in original plan. System not yet implemented and ready for audit. This audit may be reinstated in 2013-14 if required.
Data Protection Act Awareness 2012-13	10	0	This audit was commissioned by the Arts & Museums service, so was not in the original plan. Since it was requested, the Council has instituted a corporate e-learning package on data protection for all staff to complete. This supersedes the need for the audit though we may do some follow-up work in 2013-14.
<b>Total 2012-13</b>	<b>199</b>		

## Appendix A

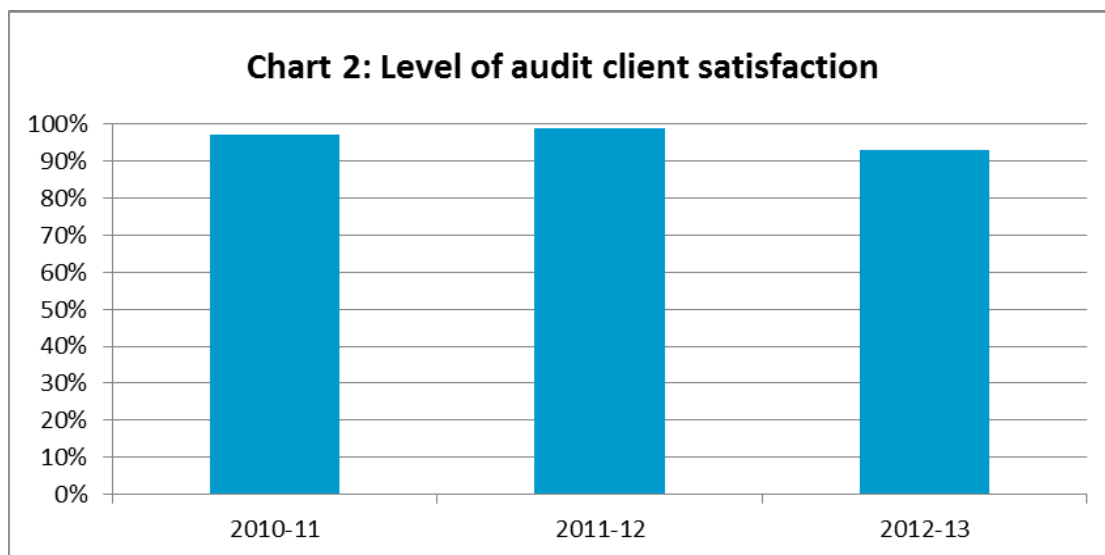
# Internal Audit Annual Report 2012-13

<b>Changes now brought to the Audit &amp; Risk Committee for approval</b>			
Review	Planned resources (audit staff days)		Comment
	Original	Revised	
Paying Creditors by BACS - IT audit 2011-12	10	0	Internal Audit was waiting for the new hardware for processing BACS payments to be implemented by the Council. This was not ready for testing by March 2013. This audit will be cancelled and a new audit started in the 2013-14 financial year.
Off-Contract Purchases 2012-13	20	0	Deferred. This audit has been reinstated in 2013-14
Contract Non-compliance 2012-13	30	0	Deferred. This audit has been reinstated in 2013-14
Highways Contracts 2012-13	25	0	Deferred. This audit will be reinstated in 2013-14.
Wireless Communication 2012-13	10	0	Cancelled because of IT Auditor vacancy.
HR and Payroll Application IT 2012-13	15	0	Cancelled due to lack of technical resources. A review of access controls and user account management for this system is included in 2013-14 as part of IT General Controls.
EPOS (electronic point-of-sale - income system) in Leisure Centres 2012-13	5	0	This audit depends on the new replacement EPOS system being implemented by the Leisure Centres. It was not ready for testing by March 2013. This audit is therefore cancelled and a new audit started in the 2013-14 financial year.
Area Traffic Control (ATC) IT audit 2012-13	25	0	Cancelled because of IT Auditor vacancy.
District Heating System IT audit 2012-13	15	0	Cancelled because of IT Auditor vacancy.
Project Management 2012-13	5	0	Deferred pending further work in 2013-14 on corporate governance and associated assurance processes. Internal Audit has maintained a watching brief in this area, however.
Performance Management 2012-13	5	0	Cancelled pending changes in Council's performance management and governance arrangements following changes made by the coalition government since 2010.
High Risk Customers database IT audit 2012-13	10	0	Deferred to 2013-14 pending decisions on implementation of new staff protection information system.
<b>Total 2012-13</b>	<b>175</b>		

The Committee is asked to approve these changes.

## **4 Internal Audit client satisfaction**

- 4.1** Internal Audit issues a client satisfaction survey questionnaire (usually electronically) with its final reports, asking clients to indicate how well they felt the audit was conducted and met their needs. Chart 2 shows the overall results from the last three years and demonstrates that Internal Audit continues to have a very high level of satisfaction amongst management.



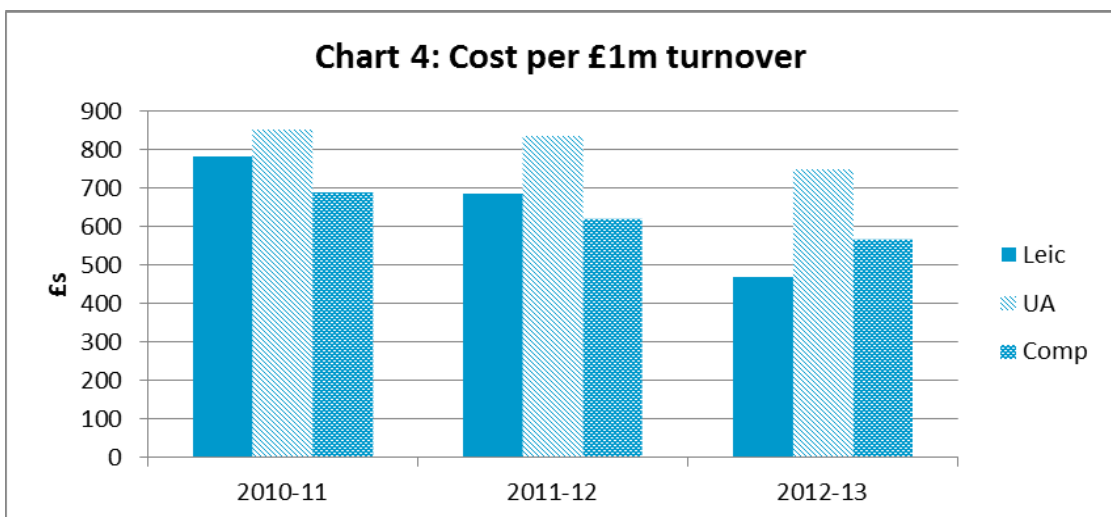
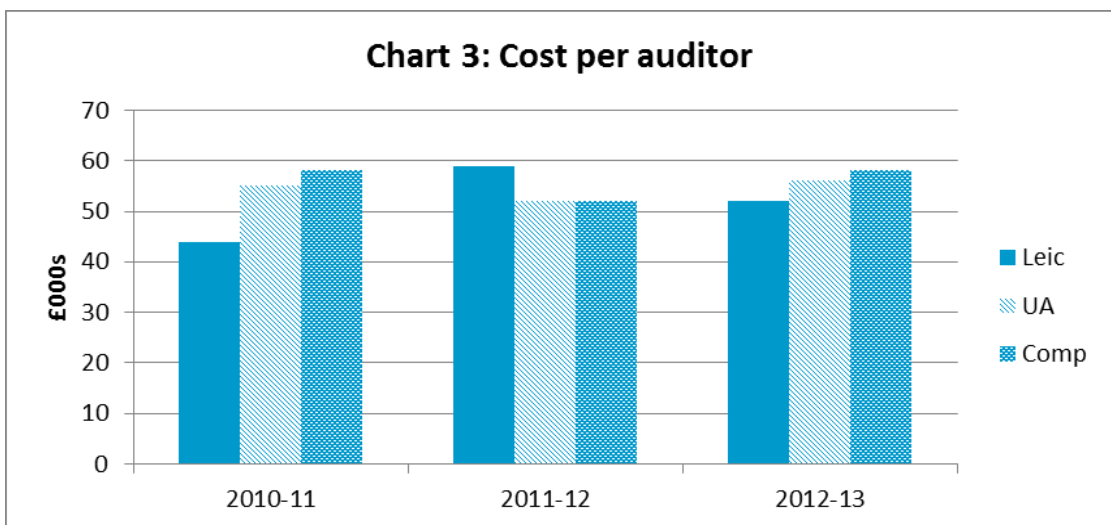
## **5 EMAS**

- 5.1** The Internal Audit service maintained its contribution to the Council's Eco-Management and Audit Scheme (EMAS). This was delivered by means of a range of audits including an overview of the Council's environmental management system, audits of a range of Council Divisions and Sections as well as establishments and schools, and review of the Council's draft Environmental Statement.
- 5.2** The Council's external EMAS verifiers, LRQA, confirmed the Council's continuing accreditation for EMAS, with reliance placed on the Internal Audit work. The point of including this here, as well as it being a pleasing reflection on Internal Audit's work, is that the audit process is itself an important part of the Council's EMAS system. It therefore demonstrates the corporate commitment to the good practice required under the EMAS scheme.
- 5.3** However, the Council's continued accreditation for EMAS is under review and a corporate decision is expected later in 2013.

## 6 Benchmarking

**6.1** Internal Audit is a member of the IPF<sup>5</sup> Audit Benchmarking Club, which enables comparisons to be made with the audit services at comparable local authorities. Charts 3-6 below show the headline benchmarking results from the latest survey, 2013. They show Leicester City Council's respective performance against all participating unitary authorities (UA) and the 18 selected comparator unitary authorities ('Comp'), which have been chosen because they are of broadly similar size to Leicester.

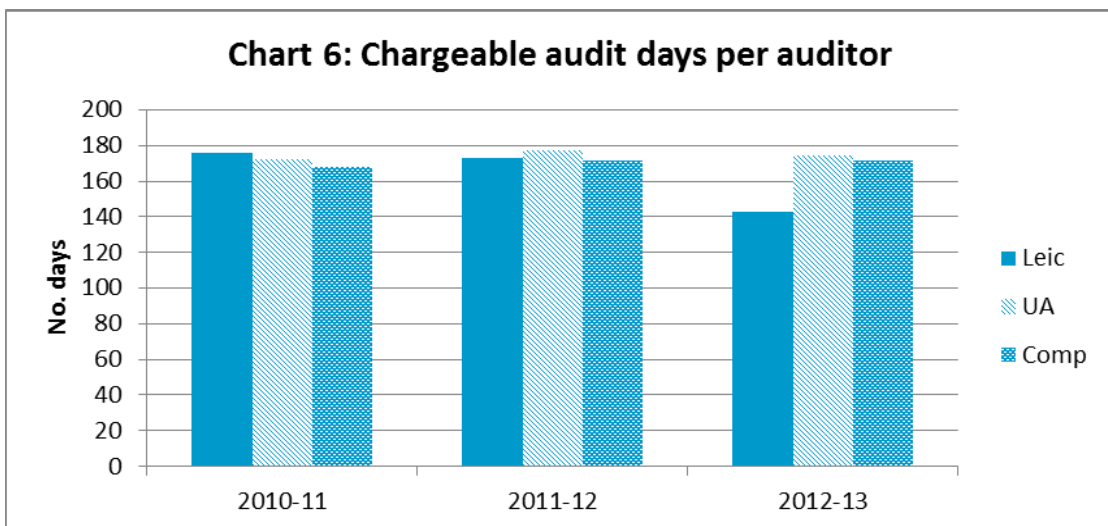
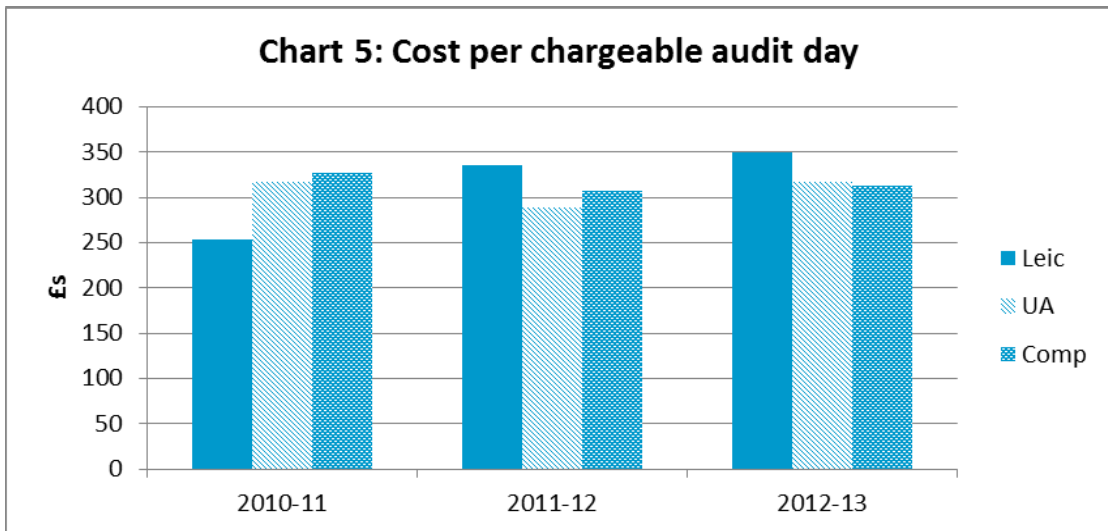
**6.2** Chart 3 shows that the cost per auditor has dropped at Leicester City Council in the last year. This is because of the continued loss of staff within the audit team. The cost per auditor has increased both at the other unitary local authorities and the comparator authorities.



<sup>5</sup> Institute of Public Finance, part of the Chartered Institute of Public Finance & Accountancy (CIPFA)

**6.3** Leicester's cost per £1m turnover (which represents the total financial size of the employing local authority) continues to drop – as seen in chart 4 above. Other authorities have also seen a reduction, but to a lesser extent, and have higher audit cost per £1m than Leicester. This again can be attributed to the reduced staffing levels in Internal Audit.

**6.4** However, for Leicester the number of chargeable days per auditor (chart 6) has decreased in 2012-13, and hence the cost per chargeable audit day (chart 5) has risen. The reasons for this include staff sickness levels (particularly the long-term sickness of one member of staff) and the time invested in the implementation of a new audit management software system. These statistics should be read in conjunction with the figures for completion of the audit plan (the key measure of performance – see above at 3.2), where it can be seen that the audit team exceeded expectations, despite these limitations.



## **7 Developments in the Internal Audit service in 2012-13**

**7.1** The previous financial year, 2011-12, was a challenging one for Internal Audit, with budget and staff reductions and the subsequently abandoned proposal for a shared audit service with Leicestershire County Council. Following this, 2012-13 has seen Internal Audit seek to stabilise its position, by means of:

- Reviewing the allocation of work within the reduced team to ensure sufficient and efficient audit coverage.
- Re-establishing internal review of audit methodologies, chiefly in connection with the upgrade of the audit management IT system from Pentana Audit Work System (PAWS) to Pentana Vision with effect from 1<sup>st</sup> April 2013. This required investment in the customisation of the system to suit local requirements, including audit reporting styles.
- Reviewing the requirements of the new *Public Sector Internal Audit Standards* in readiness for their introduction from 1<sup>st</sup> April 2013.
- Seeking to support the Audit & Risk Committee in fulfilling its specific and important remit. This included formal recognition of the Committee's status as 'the Board' for the Council in terms of the overview of internal audit work.
- Working with schools to refine and streamline the audit process following the change in the audit requirements set out by the government's Department for Education.
- The re-merger of Internal Audit and Risk Management under one head of service with effect from October 2012. This is promoting a more unified risk and audit advisory and assurance function for the Council.
- Developing the readiness of Internal Audit to bid for audit contracts at public service and related organisations outside the City Council.
- Increased accommodation of the reactive role of Internal Audit, with increased emphasis on specially commissioned audits prioritised ahead of planned reviews on the basis of risk to the Council.
- Development of the joint working arrangements with the Council's new external auditor; see section 8 below.



## **8 External Audit**

- 8.1** The last review by the Audit Commission of Internal Audit was in 2009-10; Internal Audit was assessed against the CIPFA standards<sup>6</sup>, none of which were assessed as not being met.
- 8.2** Under the new external audit arrangement brought about by the abolition of the Audit Commission, the Council's new external auditor, KPMG, seeks to rely on Internal Audit work for assurance towards the annual external audit of the Council's financial systems and published financial statements. During 2012-13, Internal Audit has been required to undertake more work on behalf of the external auditor, in order to reduce external audit fees paid by the Council, pending KPMG taking over from the Audit Commission at the end of October 2012. It is anticipated that arrangements of this kind will continue to develop with the new external auditor.

## **9 Objectives for 2013-14**

- 9.1** 2013-14 continues to provide uncertainty for the Council and for Internal Audit. The major objectives for Internal Audit in 2013-14 see a continuation of many of the developments in 2012-13. The objectives chiefly include:
- To maintain the delivery of an adequate and effective internal audit service in line with statutory and regulatory requirements and professional standards.
  - Further development of Internal Audit's working practices to make them as efficient and effective as possible, and to provide a valued service to the Council at a time of financial pressure. Central to this is successful implementation from 1<sup>st</sup> April 2013 of our new audit database, Pentana Vision.
  - To ensure Internal Audit is ready for continued budget pressures in the coming years. This includes further development of traded audit services available to external clients on a fee-earning basis.
  - To respond to service developments brought about by national policy changes. Chief among these is the need for ever-greater financial efficiency and scrutiny across the Council.
  - To work effectively in coordination with the Council's new external auditor, KPMG, under the new joint working protocol.
  - To contribute fully to the good governance of the Council, particularly in the context of the developments in the political and senior management structures of the organisation. Included is continuing work to coordinate audit with the corporate risk management process and the Council's other governance arrangements.

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<sup>6</sup> The *Code of Practice for Internal Audit in Local Government in the United Kingdom*, issued by the Chartered Institute of Public Finance & Accountancy in 2006.

- Related to this, to move to quarterly detailed audit planning. There will still be an annual audit plan but this will be based on areas of audit rather than a detailed list of specific audits. This broad annual plan will be supplemented by detailed quarterly plans listing the audits to be started in the forthcoming quarter. The intention is that, given the considerable uncertainties the Council currently faces, the audit plan can be readily adjusted to reflect changes in risks and priorities while maintaining a sufficiency of audit coverage for each of the relevant areas.
- To work closely with the Audit & Risk Committee so as to strengthen the mutually beneficial working relationship in the best interests of the Council.

## **10 Acknowledgement**

The Director of Finance acknowledges the efforts of all staff within the Internal Audit service and the help, co-operation and support of members and officers of the City Council.

# Appendix A – Internal Audit Annual Report 2012-13

## Appendix 1.1a

### Audit Status Report as at 31<sup>st</sup> March 2013 – audits brought forward

## Planned Audits brought forward

### 13 audits

Status	Ref	Audit Name	Type
Complete	COO008~004~2011-12	Access to Records 2011-12	IT
Complete	DCR006~001~2011-12	De Montfort Hall – Data Protection Act compliance 2011-12	IT
Complete	Cor052~003~2011-12	Sports Centres - Cash - 2011-12	regularity
Complete	Cor036~001~2011-12	Officers Expenses & Allowances 2011-12	risk-based
Complete	Cor009~002~2010-11	Resources Management System – General Ledger & Bank Reconciliation 2010-11	risk-based
Complete	A&C006~001~2011-12	Direct Payments - Social Care 2011-12	risk-based
Complete	Cor006~001~2011-12	Corporate Debt Recovery 2011-12	risk-based
Complete	COO020~001~2011-12	Land and Property Management 2011-12	risk-based
Cancelled	Chi006~004~2010-11	Primary Capital Programme Contract Monitoring 2010-11	contract
Cancelled	Cor005~001~2011-12	Paying Creditors by BACS - IT audit 2011-12	IT
Cancelled	Chi013~002~2011-12	School Transport 2011-12	risk-based
Cancelled	Cor002~001~2011-12	Risk Management Process 2011-12	risk-based
Cancelled	Cor051~001~2011-12	Project Management 2011-12	risk-based

### EMAS audits

#### 8 audits

Status	Ref	Audit Name
Complete	DCR003~003~2011-12	EMAS Level 2: Information & Support 2011-12
Complete	DCR003~004~2011-12	EMAS Level 2: CYPS 2011-12
Complete	DCR003~005~2011-12	EMAS Level 2: Property Services (including Learning Environment) 2011-12
Complete	DCR003~007~2011-12	EMAS Level 2: Adult Social Care 2011-12
Complete	DCR003~014~2011-12	EMAS Level 3: City Highways - Leycroft Road 2011-12
Complete	DCR003~015~2011-12	EMAS Level 3: Sulgrave Road 2011-12
Complete	DCR003~020~2011-12	EMAS Level 3: Taylor Road Primary School 2011-12
Complete	DCR003~021~2011-12	EMAS Level 3: Fosse Primary School 2011-12

### School audits (based on *Keeping Your Balance* (KYB) good practice issued jointly by Ofsted and the Audit Commission)

#### 2 audits

Status	Ref	Audit Name
Complete	Chi020~010~2011-12	Soar Valley College KYB 2011-12
Complete	Chi020~028~2011-12	Taylor Road Primary School KYB 2011-12

# Appendix A – Internal Audit Annual Report 2012-13

## Appendix 1.1a

### Audit Status Report as at 31<sup>st</sup> March 2013 – audits brought forward

## Commissioned Audits brought forward

### 8 audits

Status	Ref	Audit Name	Type
Complete	Chi012~001~2011-12	16-19 Bursary Fund 2011-12	systems
Complete	Chi012~002~2011-12	Sixth Form Funding Financial Assurance 2011-12	systems
Complete	COO020~003~2011-12	Phoenix Square Service Charges verification 2011-12	regularity
Cancelled	COO011~001~2011-12	Property - verification of service charges 2011-12	regularity
Cancelled	DCR019~001~2010-11	Star Trak Equipment Disposal 2010-11	systems
Cancelled	DCR025~002~2011-12	Sub-Regional Investment Plan Grant Certification (Final) 2011-12	grant certification

**Pen-testing audits:** IT security 'penetration testing', technical IT-based tests of IT security arrangements undertaken in a controlled manner. These are a requirement for all new IT systems under a policy agreed by Operational Board on 5<sup>th</sup> May 2010.

2 audits  
(2 complete)

# Appendix A – Internal Audit Annual Report 2012-13

## Appendix 1.1b

### Audit Status Report as at 31<sup>st</sup> March 2013 – 2012-13 Planned audits

## Planned Audits 2012-13

62 audits

Status	Ref	Audit Name	Type of audit
Complete	CIM001~001~2012-13	CIPFA in the Midlands Accounts 2012	external
Complete	DCR034~001~2012-13	Growing Places Fund 2012-13	grant certification
Complete	DCR021~001~2012-13	Safety Camera Partnership 2012-13	grant certification
Complete	Cor007~003~2012-13	Teacher's Pensions Return (PEN05) 2012-13	grant certification
Complete	DCR033~001~2012-13	Local Transport Plan 2012-13	grant certification
Complete	Hou014~001~2012-13	Pooling of Housing Capital Receipts 2012-13	grant certification
Complete	Cor046~001~2012-13	NNDR(business rates) Return Grant 2012-13	grant certification
Complete	DCR020~001~2012-13	Growth Fund Capital (2011-12) 2012-13	grant certification
Complete	COO034~001~2012-13	IT Hardware 2012-13	IT
Complete	COO037~001~2012-13	IT General Controls 2012-13	IT
Complete	Cor063~002~2012-13	Payment Spot-checks - generic supplier IDs 2012-13	regularity
Complete	Cor052~003~2012-13	Community Centres - Cash 2012-13	regularity
Complete	Chi020~035~2012-13	Schools Data Protection Review 2012-13	regularity
Complete	Cor052~001~2012-13	Grey Friars Adults Cash Account 2012-13	regularity
Complete	Cor052~002~2012-13	Grey Friars Children's Cash Account 2012-13	regularity
Complete	Cor030~001~2012-13	Physical Verification of Assets 2012-13	regularity
Complete	Chi020~036~2012-13	Schools Annual Report 2011-12	regularity
Complete	Chi012~001~2012-13	16-19 Education 2012-13	systems
Complete	Cor003~001~2012-13	Corporate Governance 2012-13	systems
Complete	Cor046~002~2012-13	VfM audit - NNDR (Business Rates) on LCC properties 2012-13	systems
Complete	Cor063~001~2012-13	Payment Spot-checks - Q1 - credit cards 2012-13	systems
Complete	COO040~001~2012-13	VfM audit - Postage and franking arrangements 2012-13	systems
Complete	DCR006~002~2012-13	De Montfort Hall 2012-13	systems
Complete	DCR035~001~2012-13	LCC Bus Service Operators Grant 2012-13 (1)	systems
Final Report	Cor041~001~2012-13	Payment Card Industry - Data Security Standards Compliance 2012-13	IT
Final Report	DCR026~001~2012-13	LCC Bus Service Operators Grant 2012-13 (2)	systems
Draft Report	COO035~001~2012-13	VfM audit - Contract - Procurement 2012-13	contract
Draft Report	Cor052~004~2012-13	Sports Centres - cash - 2012-13	regularity
Draft Report	Cor052~005~2012-13	Elderly Persons' Homes – cash 2012-13	regularity
Draft Report	Cor052~006~2012-13	Corporate Cash Audit Follow-Up 2012-13	regularity
Draft Report	Cor063~003~2012-13	Payment Spot-checks MyView Expenses 2012-13	regularity
Draft Report	Chi020~039~2012-13	Schools - Arrangements for becoming Academies 2012-13	risk-based
Draft Report	Cor004~002~2012-13	VfM audit - Supplier credit notes 2012-13	systems
Fieldwork Complete	COO008~001~2012-13	Information Assurance (including CCTV) 2012-13	IT
Fieldwork Complete	Cor004~001~2012-13	Corporate Creditors 2012-13	systems
In Progress	Hou016~001~2012-13	Housing Contracts 2012-13	contract

# Appendix A – Internal Audit Annual Report 2012-13

## Appendix 1.1b

### Audit Status Report as at 31<sup>st</sup> March 2013 – 2012-13 Planned audits

Status	Ref	Audit Name	Type of audit
In Progress	Cor063~004~2012-13	Payment Spot-checks - invoice checks 2012-13	regularity
In Progress	Cor007~002~2012-13	Payroll 2012-13	risk-based
In Progress	DCR024~001~2012-13	Planning (& Economic Development) 2012-13	systems
Planning	Chi006~001~2012-13	Building Schools for the Future 2012-13	contract
Not Started	Cor016~001~2012-13	City Council Elections 2012-13	systems
Cancelled	COO038~001~2012-13	Property Services Contracts 2012-13	contract
Cancelled	COO039~001~2012-13	IT Contracts 2012-13	contract
Cancelled	Cor059~002~2012-13	Off-Contract Purchases 2012-13	contract
Cancelled	Cor059~003~2012-13	Contract Non-compliance 2012-13	contract
Cancelled	DCR026~002~2012-13	Highways Contracts 2012-13	contract
Cancelled	A&C010~001~2012-13	CareFirst Application 2012-13	IT
Cancelled	COO007~002~2012-13	Wireless Communication 2012-13	IT
Cancelled	COO008~002~2012-13	Protective Monitoring (Information Assurance) 2012-13	IT
Cancelled	COO017~001~2012-13	Firewalls 2012-13	IT
Cancelled	COO025~001~2012-13	PAMIS (Property) Application replacement 2012-13	IT
Cancelled	COO036~001~2012-13	Microsoft Migration 2012-13	IT
Cancelled	Cor008~001~2012-13	HR and Payroll Application IT audit 2012-13	IT
Cancelled	DCR008~001~2012-13	EPOS (income system) in Leisure Centres 2012-13	IT
Cancelled	DCR018~001~2012-13	Area Traffic Control (ATC) 2012-13	IT
Cancelled	Hou015~001~2012-13	District Heating 2012-13	IT
Cancelled	Cor002~001~2012-13	Risk Management 2012-13	risk-based
Cancelled	Cor009~001~2012-13	Resources Management System (including IT) 2012-13	risk-based
Cancelled	Cor050~001~2012-13	Housing Benefits 2012-13	risk-based
Cancelled	Cor051~001~2012-13	Project Management 2012-13	risk-based
Cancelled	Cor054~001~2012-13	Performance Management 2012-13	risk-based
Cancelled	Cor028~001~2012-13	Health & Safety 2012-13	systems

# Appendix A – Internal Audit Annual Report 2012-13

## Appendix 1.1b(i)

### Audit Status Report as at 31<sup>st</sup> March 2013 – Schools audits

School audits (based on *Keeping Your Balance (KYB)* good practice issued jointly by Ofsted and the Audit Commission)

#### 34 audits

Status	Ref	Audit Name
Complete	Chi020-001-2012-13	Rushey Mead Secondary School KYB 2012-13
Complete	Chi020-002-2012-13	Avenue Primary School KYB 2012-13
Complete	Chi020-003-2012-13	Bridge Junior School KYB 2012-13
Complete	Chi020-004-2012-13	Charnwood Primary School KYB 2012-13
Complete	Chi020-005-2012-13	Children's Hospital School KYB 2012-13
Complete	Chi020-006-2012-13	Christ the King Catholic Primary School KYB SFVS 2012-13
Complete	Chi020-007-2012-13	Evington Valley Primary School KYB 2012-13
Complete	Chi020-008-2012-13	Eyres Monsell Primary School KYB 2012-13
Complete	Chi020-009-2012-13	Folville Junior School KYB 2012-13
Complete	Chi020-010-2012-13	Forest Lodge Primary School KYB 2012-13
Complete	Chi020-011-2012-13	Alderman Richard Hallam Primary School KYB 2012-13
Complete	Chi020-012-2012-13	Highfields Primary School KYB 2012-13
Complete	Chi020-013-2012-13	Inglehurst Infant School KYB 2012-13
Complete	Chi020-014-2012-13	Inglehurst Junior School KYB 2012-13
Complete	Chi020-015-2012-13	Kestrels Field Primary School KYB 2012-13
Complete	Chi020-016-2012-13	Keyham Lodge School KYB 2012-13
Complete	Chi020-017-2012-13	Knighton Fields Primary School KYB SFVS 2012-13
Complete	Chi020-018-2012-13	Merrydale Infant School KYB 2012-13
Complete	Chi020-019-2012-13	Merrydale Junior School KYB 2012-13
Complete	Chi020-020-2012-13	Montrose Primary School KYB 2012-13
Complete	Chi020-021-2012-13	Mowmacre Primary School KYB 2012-13
Complete	Chi020-022-2012-13	Nether Hall School KYB 2012-13
Complete	Chi020-023-2012-13	Northfield House Primary School KYB 2012-13
Complete	Chi020-024-2012-13	Rolleston Primary School KYB 2012-13
Complete	Chi020-025-2012-13	Rushey Mead Primary School KYB 2012-13
Complete	Chi020-026-2012-13	Scraptoft Valley Primary School KYB 2012-13
Complete	Chi020-027-2012-13	Shenton Primary School KYB 2012-13
Complete	Chi020-028-2012-13	Sparkenhoe Community Primary School KYB 2012-13
Complete	Chi020-029-2012-13	Spinney Hill Primary School KYB 2012-13
Complete	Chi020-031-2012-13	St John the Baptist C of E Primary School KYB 2012-13
Complete	Chi020-032-2012-13	Thurnby Lodge Primary School KYB 2012-13
Complete	Chi020-033-2012-13	Whitehall Primary School KYB 2012-13
In Progress	Chi020-034-2012-13	Wyvern Primary School KYB 2012-13
Planning	Chi020-030-2012-13	St Barnabas C of E Primary School KYB 2012-13

SFVS = Schools Financial Value Standard, as required by the Department for Education,

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## Appendix 1.1b(ii)

### Audit Status Report as at 31<sup>st</sup> March 2013 – EMAS audits

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#### EMAS (Eco-Management and Audit Scheme) audits

##### 11 audits

Status	Ref	Audit Name
Complete	DCR003~001~2012-13	EMAS Annual Report 2011-12
Complete	DCR003~002~2012-13	Braunstone Leisure Centre Waste Compliance 2012-13
Complete	DCR003~003~2012-13	New Parks Leisure Centre Waste Compliance 2012-13
Complete	DCR003~004~2012-13	Aylestone Leisure Centre Waste Compliance 2012-13
Complete	DCR003~005~2012-13	Spence Street Sports Centre Waste Compliance 2012-13
Complete	DCR003~008~2012-13	EMAS Level 3: Caldecote Community Primary School 2012-13
Complete	DCR003~009~2012-13	EMAS Level 3: Eyres Monsell Primary School 2012-13
Complete	DCR003~010~2012-13	EMAS Level 3: Whitehall Primary School 2012-13
Complete	DCR003~012~2012-13	EMAS Level 4: Draft Environmental Public Statement Review 2011-12
Cancelled	DCR003~007~2012-13	EMAS Level 1: EMAS System Audit 2012-13
Cancelled	DCR003~011~2012-13	EMAS Level 3: Woodstock Primary School 2012-13



# Appendix A – Internal Audit Annual Report 2012-13

## Appendix 1.1c

### Audit Status Report as at 31<sup>st</sup> March 2013 – 2012-13 Commissioned audits

## Commissioned Audits 2012-13

### 19 audits

Status	Ref	Audit Name	Type
Complete	Chi020~043~2012-13	Spinney Hill Primary School - commissioned audit 2012-13	establishment
Complete	Chi020~044~2012-13	Taylor Road Primary School advice on processes 2012-13	establishment
Complete	Chi028~002~2012-13	Slater Primary School Financial Controls Health-check 2012-13	external
Complete	Chi028~003~2012-13	Spinney Hill Primary School Fund 2011-12	external
Complete	Chi028~004~2012-13	Medway Community Primary School Financial Controls Health-check 2012-13	external
Complete	Chi029~001~2012-13	School-Centred Initial Teacher Training (SCITT) (EDU06) 2012-13	grant certification
Complete	Cor007~004~2012-13	Krishna Avanti School Teachers' Pensions return audit 2012-13	grant certification
Complete	DCR037~001~2012-13	LEP (Leicester Local Enterprise Partnership) 2012-13	grant certification
Complete	COO008~005~2012-13	Data Breach 2012-13	IT
Complete	COO020~001~2012-13	Phoenix Square Service Charges verification 2012-13	regularity
Complete	COO008~004~2012-13	First Care Nurse Contact System	systems
Complete	DCR024~003~2012-13	Speedway - Planning - commissioned audit 2012-13	systems
Complete	Hou011~001~2012-13	Leaseholder Reserve Fund Accounts 2012-13	systems
Draft Report	Cor025~001~2012-13	Financial Director system - System Administrators	IT
In Progress	Cor052~007~2012-13	LCB Depot Cash audit 2012-13	regularity
In Progress	COO008~003~2012-13	Access to Records (Social Care) 2012-13	IT
Cancelled	A&C025~001~2012-13	eGovHub IT audit 2012-13	IT
Cancelled	COO008~006~2012-13	Data Protection Act Awareness 2012-13	IT
Cancelled	Cor008~003~2012-13	High-Risk Customers database IT audit 2012-13	IT

**Pen-testing audits:** IT security 'penetration testing', technical IT-based tests of IT security arrangements undertaken in a controlled manner. These are a requirement for all new IT systems under a policy agreed by Operations Board on 5<sup>th</sup> May 2010.

5 audits  
(5 complete)

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