



Appendix A

Leeds City Council

Internal Audit Update Report – Assurance and Consulting Activities

Corporate Governance and Audit Committee

26th June 2023

INTERNAL AUDIT UPDATE REPORT 2022/23

1ST January 2023 to 31ST March 2023

1 Purpose of this report

- 1.1 This report provides the Committee with a summary of the work completed by Internal Audit during the period from 1st January 2023 to 31st March 2023. The work of Internal Audit offers a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

2 Internal Audit Plan Progress

- 2.1 The work of Internal Audit is directed by the annual Internal Audit Annual Plan. This has been developed in line with the Public Sector Internal Audit Standards (PSIAS) and has been reviewed and approved by the Committee.
- 2.2 Throughout the audit year we will develop our Annual Assurance Opinion based upon:
- Work carried over from the previous year.
 - Work contained within the 2022/23 Internal Audit Plan that was approved by the Committee in March 2022.
 - Unplanned work undertaken in response to emerging risks and priorities.

3 Changes to the 2022/23 Internal Audit Plan

- 3.1 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency. As risks and priorities change throughout the year, we may also alter the profile of the plan to ensure attention is focussed on areas of the highest risk in the most efficient and effective way. Our quarterly reports will provide the Committee with details of audits that have been deferred, added to or deleted from the audit plan, as agreed in conjunction with management. Below is a summary of material changes that have been made to the 2022/23 Internal Audit plan to date. Schools are excluded from this information due to the dynamic nature of this area of the plan.

Assurance Block	Movement
Directorate Risks – Adults & Health	<p>In this period we have been asked to provide assurance on the Weight Management Grant as the Head of Audit is required to sign off the grant return.</p> <p>We have removed the Recovery Service review as due to winter pressures limiting capacity for the service to support an internal audit review and the Directorate identifying this as a lower priority piece of work, this has been removed from the plan for 2022/23. We will include this for consideration in future audit plans.</p>
Directorate Risks – Children & Families	<p>In this period we have removed a number of reviews from the plan as our proposed work has been superseded by work being undertaken within the directorate and we have been able to obtain some valuable assurances from this.</p> <p>In particular, a Task & Finish group set up by the Chief Officer – Financial Services in relation to increasing the number of foster carers within Leeds which the Principal Corporate Governance Manager has been part of. Therefore, we have removed our planned review of the Increase in Foster Carers.</p> <p>The recommendations made in the Ofsted report following their inspection were initially reported to the Children & Families Recovery Board. The Delivery Board has replaced this. Both Boards include attendance from Internal Audit so progress on these recommendations has been monitored and will continue to be monitored through this forum, therefore we have removed the Ofsted Inspection review.</p> <p>We also intended to complete a review of Elective Home Education. However, discussions with the service identified that this would not add value as a new Vulnerable Learners Lead has recently been appointed who will be reviewing all processes within the team as part of the new role. It has been agreed with the service that we will provide independent assurance on the revised process by providing a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service redesign.</p>

Assurance Block	Movement
Other Directorate Risks – Communities, Housing and Environment	<p>In this period we have been asked to provide assurance on the Holiday Activities and Food Programme Grant and the Green Homes Grant LAD 2 as the Head of Audit is required to sign off the grant return.</p> <p>The plan for this year included a review of Housing Voids. However due to capacity issues in the service we agreed to defer this work to the 2023/24 audit plan and have brought forward the Housing Application Assessment audit that was included in the 2023/24 plan.</p> <p>A review of Poverty had been included in the 2022/23 audit plan, however this will now be considered as an area for review in 2023/24</p>

4 Final Internal Audit reports issued

- 4.1 We have issued 13 audit reports during the period from 1st January 2023 to 31st March 2023.
- 4.2 Depending on the type of audit review undertaken, an assurance opinion may be assigned for the control environment, compliance, and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the system under review not being achieved. A compliance opinion provides assurance on the extent to which the controls are being complied with. Assurance opinion levels for the control environment and compliance are categorised as follows: substantial (highest level); good; acceptable; limited and no assurance.
- 4.3 Organisational impact is reported as either: major, moderate, or minor depending on the severity of the issues identified within the audit. Any reports issued with a major organisational impact will be reported to the Corporate Leadership Team along with the relevant directorate's agreed action plan.
- 4.4 The following table provides a summary of the reports issued during the period from 1st January 2023 to 31st March 2022 along with the assurances provided where applicable.

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Finance and Key Financial Systems				
Housing Rents	Acceptable	N/A	Minor	Financial Management, Performance Management, Legislative / Regulatory Compliance, Governance & Decision Making, Risk & Resilience, Value for Money, Anti-Fraud and Corruption
Lettings Follow Up	Good	N/A	Minor	Performance Management
Other Directorate Risks – City Development				
Anti-money laundering arrangements for Land & Property	N/A – Memo			Anti-Fraud and Corruption
Other Directorate Risks – Resources				
Organisational Culture	Acceptable	N/A	Moderate	Human Resource Management, Risk & Resilience, Ethics & Culture, Consultation & Engagement, Equality, Diversity & Inclusion
Other Head of Audit Assurances				
Weight Management Grant	N/A - Memo			Performance Management, Financial Management, Anti-Fraud and Corruption
Families First Grant Earned Autonomy December 2022	N/A – Memo			Performance Management, Financial Management, Anti-Fraud and Corruption
Families First Grant Earned Autonomy February 2023	N/A - Memo			Performance Management, Financial Management, Anti-Fraud and Corruption

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Schools				
School Voluntary Fund x 4	N/A certification of account balances			Financial Management
Primary School Audit 1	Acceptable	Limited	N/A	Financial Management, Anti-Fraud and Corruption, Risk and Resilience, Governance & Decision Making.
Primary School Audit 2	Substantial	Good	N/A	Financial Management, Anti-Fraud and Corruption, Risk and Resilience, Governance & Decision Making.

5 Summary of Audit Activity and Key Issues

5.1 During the reporting period, there have been no limitations to the scope, and nothing has arisen to compromise our independence.

Highlights

5.2 Following a request from the Chief Executive, we carried out a review looking at the culture of the organisation, with a specific focus on the arrangements in place to embed the council's values and behaviours across areas of activity. The audit has identified a range of positive actions taken to engage with the workforce in an effort to develop a 'Team Leeds' ethos. It is clear that there is an increasing focus on Equality, Diversity, and Inclusion (EDI) and an effort to set the tone through strong leadership and management wrapped up within the 'Be Your Best' offer. There are various activities that seek to establish how employees feel, and the appointment of the Freedom to Speak Up Guardian reflects a positive and sector leading approach to giving everyone a voice and reinforcing the importance of the values and behaviours.

5.3 Our overriding view from the audit is that the many positive actions that are being undertaken reflect well on the council's efforts to establish a healthy culture where people will enjoy their work and feel valued for what they do. It remains a challenge to achieve consistency in such a vast and continually evolving organisation, and the audit highlights opportunities to further strengthen the wealth of actions that have already been initiated. Work is ongoing to further embed these and bring

the values to life, and recommendations have been agreed with various key contacts in the organisation. The upcoming staff survey results will be key to providing helpful feedback on the culture and the areas in which further action is required, and time is set aside for us to carry out further work over the course of the next year.

Limited or No Assurance Opinions

- 5.4 Of the audit reviews finalised during the period, no weaknesses have been identified that would result in “major” organisational impact and no reviews have been issued with no assurance opinions.

Primary School

- 5.5 One primary school audit resulted in a limited opinion being provided for compliance with controls. The main weaknesses were around compliance with procedures for creditor payments and the management of the school voluntary fund. The Headteacher agreed to implement all the recommendations raised during the audits and the implementation of these will be reviewed as part of follow up audits in 2023/24.

Follow Up

- 5.6 Our protocols specify that we undertake a follow up review where we have previously reported “limited” or “no” assurance for the audited area.

Lettings Follow Up

- 5.7 In 2020-21 the Lettings audit was issued where a limited opinion was given for the control environment for one objective. The main weaknesses were around quality and performance management. The Lettings Follow Up audit was completed and issued in January 2023 with Good assurance for the Control Environment. The recommendations made have been largely implemented but were still to be fully embedded at the time of the review.

6 Recommendation Tracking

- 6.1 As discussed with the committee over the course of the last year, we have been introducing a process aimed at tracking the implementation of high and medium priority recommendations raised within our audit reports. This work is key to helping us understand where controls have been strengthened following our audits and also highlighting areas where we may want to re-visit the activity to ensure actions are being progressed appropriately.

6.2 Whilst the recommendation tracking process still requires some further embedding, we are seeing some positive trends in the number of recommendations recorded as implemented or in progress. As referenced in Appendix B, our Quality Assurance and Improvement Programme includes actions aimed at automating the process of gathering data on implementation, and we are also working on smarter ways of reporting on the information in response to feedback provided by Members. Detailed recommendation tracking information will be incorporated in our Annual Report and Opinion, and will be included within the Update Reports to the Committee thereafter.

7 Other Audit Work

Audit Work Completed	Details	Contribution to assurance
Children and Families – Families First Grant Validation	Grant claim validation work carried out to support the Directorate.	We were able to confirm the validity of the claim. The work contributes to assurances in respect of financial management and governance.
Core Business Transformation – Work Packages	Provision of support to various work streams within Financial Services that have been set up to ensure that working practices are fit for purpose and in preparation for the introduction of the new core system.	We have continued to work alongside financial services on the continuing development and evolution of a range of financial dashboards. The work contributes across a range of assurances including financial management and control, risk management, governance and decision making and business innovation.
Core Business Transformation – Programme Assurance	Ongoing work to provide review, advice and challenge to the Programme Board including oversight and advice around risk and contract management.	We have continued to provide assurance in respect of the procurement and risk management process including the provision of regular reports to the Programme Board. The work contributes across a range of assurances including financial management and control, risk management, governance and decision making, programme management and contracts and procurement.

Audit Work Completed	Details	Contribution to assurance
Contracts Procedure Rules Review	Contribution to the regular review of the council's Contracts Procedure Rules.	We have continued to work with PACS looking at the ongoing development of user-friendly and proportionate Contracts Procedure Rules. This work is vital to ensuring that arrangements are in place to support the authority in meeting legal and regulatory requirements.
General audit queries and advice issued	Over the course of the recent period, we have received and responded to a number of queries and requests for advice from departments and service areas. These have covered a range of themes and areas, with a significant number relating to financial controls and decisions in schools.	The work contributes to assurance in a range of areas, in particular governance and decision making and financial control. The dialogue with service areas demonstrates how respected and valued the Internal Audit service is. It also provides a level of procedural oversight and a source of intelligence to feed into the audit planning process.
Income Recovery Board	Attendance at the Adults & Health Programme Board overseeing various ongoing developments looking at maximising client contributions.	We provide a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service redesign. Attendance at these meetings also enables us to build intelligence and have greater insight regarding emerging risks.
Adults & Health Budget Review Group	Attendance at a group within Adults & Health that has been set up to monitor progress in the achievement of Budget Action Plans.	This provides us with valuable oversight of progress against Budget Action Plans within the directorate, including the agreement of actions taken where risks to delivery are identified. This also enables us to understand risks and challenges faced by the service that we feed into our audit planning process.

Audit Work Completed	Details	Contribution to assurance
Information Governance Policy Review Group	Attendance at a group set up to review existing information governance policies and protocols.	This enables us to provide support and advice around the policies under review, also offering valuable oversight around the risk management process.
Adults & Health Transformation Programme	Attendance at groups within Adults & Health that have been set up to deliver a key area of transformation for the service.	We provide a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service redesign.
Adults & Health Care Reform	Attendance at the programme board overseeing developments required by the Health and Care Act 2022	We provide a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service design.
Project Management	Ongoing work to provide support and challenge to the service in the development in the new arrangements for the management of ICT projects.	We have worked alongside IDS on the development of the new arrangements for managing programmes and projects. The work contributes across a range of assurances including project and programme management, governance and decision making and business innovation.
External Residential Payments	An audit to provide assurance that the most appropriate setting has been made to meet the needs of the child whilst also achieving value for money for the Council.	<p>We commenced a review of external residential placements within the directorate. Subsequent to this as part of the Children & Families Delivery Board work, the service has commenced their own Brokerage Review looking at the overall placement process. This includes the work being carried out as part of the review.</p> <p>Discussions have been held with the service and it has been agreed that the proposed review will be closed. Instead we will provide a check and challenge role through attendance at</p>

Audit Work Completed	Details	Contribution to assurance
		the Children & Families Delivery Board and supporting the individual workstreams as required to ensure that potential risks and control weaknesses are highlighted and considered.

8 Other Audit Activities

Audit Activity	Description
Client Liaison Activities	Provision of professional advice to officers, including client liaison activities that promote the work of Internal Audit, and to reinforce the importance of robust controls and good governance. This liaison activity also enables us to build intelligence and have greater insight regarding emerging risk.
Board, committee and working group attendance	<p>Attendance at various boards, committees and working groups including Directorate and Service Leadership Teams. Key groups are included in the table above.</p> <p>Attendance at these meetings enables us to provide a 'critical friend' role, supporting the services to ensure appropriate governance, decision making and financial control. Where services are being redesigned, we are able to ensure that potential risks and control weaknesses are highlighted and considered by the service. Attendance also enables us to build intelligence and have greater insight regarding emerging risk.</p>
Corporate Governance and Audit Committee support	Drafting reports and attending meetings of the Corporate Governance and Audit Committee. Responding to member queries.
Audit and Risk Updates	Regular meetings between the Head of Audit and the Intelligence and Policy Service to share information around a number of areas that contribute to the risk management process.

9 Work in Progress

9.1 The following table provides a summary of audits in progress at the time of producing this report:

Assurance Block/ Audit Assignment	Fieldwork in Progress	Draft Report	Finalisation
Adults & Health – Debt Recovery			✓
Adults & Health – Deputy & Appointeeships			✓
Adults & Health – CIS Payments	✓		
Children & Families – Special Educational Needs Follow Up		✓	
Children & Families – No Recourse to Public Funds Follow Up		✓	
ICT & Information Governance – Privileged User Access Follow Up			✓
ICT & Information Governance – Data Management			✓
ICT & Information Governance – Data Protection Impact Assessment Follow Up	✓		
ICT & Information Governance – Workforce Planning	✓		
ICT & Information Governance – Cyber Security	✓		
Procurement – Management of Off-Contract Expenditure in Parks and Countryside			✓
Other Directorate Risks – Management of post-covid service backlogs	✓		
Other Directorate Risks – Business Continuity	✓		

Assurance Block/ Audit Assignment	Fieldwork in Progress	Draft Report	Finalisation
Other Directorate Risks – Risk Management		✓	
Other Directorate Risks – Homes of Multiple Occupancy			✓
Other Directorate Risks – Supported Living Accommodation			✓
Other Directorate Risks – Civica CX Housing System	✓		
Finance and Key Financial Systems – Income Management System		✓	
Finance and Key Financial Systems – Orders & Invoice Processing		✓	
Finance and Key Financial Systems – Budget Monitoring and Control		✓	
Finance and Key Financial Systems – Connect	✓		
Finance and Key Financial Systems – Business Rates	✓		
Finance and Key Financial Systems – Creditors – Invoicing System Implementation	✓		
Green Homes Grant LAD 2	✓		
Holiday activities and food programme grant	✓		
Primary school audit	✓		
School Voluntary Fund Audits x 3	✓		

10 Counter Fraud and Investigations

- 10.1 The Corporate Governance and Audit Committee receives a separate report summarising the general activities and work plan of the Internal Audit Counter Fraud Team, including both proactive work and fraud and irregularity investigations undertaken.