



Appendix A

Leeds City Council Internal Audit Planning 2024-5

Corporate Governance and Audit Committee

18th March 2024

INTERNAL AUDIT PLANNING 2024-25

1 Purpose of this report

- 1.1 The purpose of this report is to set out the approach to internal audit planning for 2024-25 to the Corporate Governance and Audit Committee, along with details of the immediate areas of priority for review and approval.

2 The Planning Process

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive¹ (CAE) '*must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.*' The standards state that risk-based planning should take into account the requirement to produce an Annual Internal Audit Opinion and Report that is used by the organisation to inform its governance statement. The Annual Internal Audit Opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. To support this, risk-based planning must take account of the need to cover an appropriate and comprehensive range of work. There also needs to be a balance between breadth (taking a broad look at governance and risk management) and depth (drilling down into specific areas where internal audit can provide valuable insight).
- 2.2 Reflecting on the challenges over recent years, and with an eye on ensuring audit planning is geared towards maximising the impact from the available resource, we have reviewed and refreshed our approach for 2024-25. Rather than develop a long list of audits for approval that covers the whole year, and then make multiple changes to the plan (where appropriate) as the risk profile of the organisation changes in-year, we have sought to adopt a more agile approach moving forward. This involves identifying our statutory obligations (for example grant certification work) and immediate priority commitments for approval at the outset, and then determining a series of more focussed plans for review and approval throughout the year. In essence, audit planning will become a continual activity throughout the year, and audit engagements will be assessed against robust prioritisation criteria as explained below at 2.5. This approach seeks to increase buy-in from Directorates and service areas through responsiveness to their emerging needs and priorities, whilst also delivering greater transparency with the Committee on our plans, performance and output.
- 2.3 The PSIAS set out that the plan must be reviewed and adjusted, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls. By determining statutory obligations and immediate areas of

¹ For the purposes of this report, the Chief Audit Executive is the Senior Head of Audit, Corporate Governance and Insurance.

priority at the outset, and then leaving contingency to develop the remainder of the plan as the year progresses, we are able to satisfy this requirement throughout the year.

2.4 In line with the PSIAS, the continual risk-based approach to audit planning draws on the following sources:

- the Council's risk management processes and the corporate and directorate risk registers;
- the results of previous internal audit work and our ongoing assessment of the auditable entities within the council;
- planned work deferred from 2023-24;
- awareness of relevant local and national issues;
- consultation with the Corporate Governance and Audit Committee, the Council's Section 151 Officer, the Monitoring Officer, senior management and colleagues from across the organisation; and
- regular dialogue with the core cities and authorities within South and West Yorkshire helps to ensure that we are aware of emerging risks within other Councils so that they can be considered during audit planning.

2.5 The outputs from the planning process have enabled us to develop a repository of audit areas for consideration. We will continually build on this source of intelligence and bring forward priorities when planning work based on a balance of the following criteria:

- the requirement to carry out a sufficiently comprehensive range of work to give an objective and evidenced based opinion on aspects of governance, risk management and internal control;
- the scope for financial and / or reputational impact, particularly in the context of the current organisational position;
- the requirement for Internal Audit to add value through improving controls, streamlining processes;
- recognition of corporate, directorate, service level and emerging risks;
- links to key corporate priorities including the three pillars of the Best City Ambition;
- an assessment of the counter-fraud and corruption links, Freedom to Speak Up Guardian Referrals and opportunities to provide assurances in respect of the culture of the organisation.

3 Resources

3.1 The Internal Audit team will comprise of 11.57 Full Time Equivalent (FTEs) at the start of 2024-25. This compares to 14.84 at the start of the previous year. Following a restructuring of the service, natural movement within the team including some departures has led to a continuing review of how the audit service is most efficiently and effectively delivered, with the aim to be smaller in size but bigger in influence. Whilst it is clear that the staffing resource has fallen, this is not out of step with the wider council and an inevitable shrinking in size given the financial challenge. Effective planning and prioritisation of audit engagements is key to getting the best from the available resource. The number of days allocated in the plan to specifically

provide the CAE with the evidence for the opinion on the control environment is 1786 days, which compares to 2298 in the previous year. This is a prudent estimate that allows for the need to set aside time for staff development and wellbeing, whilst maximising the resource that can be devoted towards core assurance and consultancy activities.

- 3.2 We are committed to using modern audit techniques to ensure that we deliver audit coverage as efficiently and effectively as possible in alignment with our Data Analytics Strategy. We are a member of a Core Cities Audit Benchmarking Group which collaborates across areas of audit delivery and provides valuable information and insight across its membership. The comparison of working practices is used to identify areas for potential improvement across the delivery of our audit services as well as providing reassurances around our approach to emerging challenges. Most authorities are under pressure to deliver audit plans within a smaller resource envelope and therefore the sharing of good practices is vital. Consistent with other authorities, we draw on a multitude of work streams to help deliver the annual opinion, including an increased focus on advisory work and client liaison activities.
- 3.3 The regular review of our Quality Assurance Improvement Programme enables us to identify and monitor potential blockages and areas for improvement in the audit process. The resulting work we have been undertaking to refresh our protocols and the streamline our audit reporting arrangements will enable us to be more efficient in the delivery of audit work.
- 3.4 In the opinion of the CAE, the resources that are currently available are sufficient to perform the work necessary to deliver the Annual Internal Audit Opinion and Report that will be used by the organisation to inform its governance statement.

4 Internal Audit Plan 2024-25

- 4.1 In previous years we have presented information to the Committee on the planned number of days we expect to spend in each area of the plan. Whilst this was effective in demonstrating the totality of our planned coverage ahead of the year starting, invariably we have found that changes in risk, resource and organisational priorities have resulted in a very different picture over the course of the year. Therefore, to enable us to plan our activity over the year in such a way that is agile and dynamic (whilst remaining PSIAS compliant), at this stage we are setting out details of the planned areas of activity that are either:
- A statutory obligation that we must complete during the year (examples being grant certification work) and / or;
 - Audit engagements that we immediately know we must complete due to the level of risk faced or impact to be delivered in the context of our annual opinion. This can include follow up work where we have previously identified significant weaknesses in the control environment, and engagements already agreed as immediate priorities with Directorates.

- 4.2 Table 1 below provides a breakdown of the planned audit engagements, along with an overview of the assurance that each audit aims to achieve, together with a summary of the corresponding themes and risks covered. These have been grouped into five key areas:
- Counter Fraud & Corruption – outlining our plan for counter fraud activity.
 - Grants and Head of Audit Assurances – to provide assurance that grant claims have been spent in accordance with grant determinations or assurances in areas where the Head of Internal Audit or Chief Officer, Financial Services is required to provide assurances to another organisation.
 - Key Financial Systems – to provide assurance on the key areas of financial risk. These systems are reviewed on a cyclical basis.
 - Cross Cutting Audits – to provide assurance on key systems and processes that cover more than one service area and directorate.
 - Service Specific Audits – to provide assurance on key systems and processes within individual service areas.
- 4.3 To ensure that the work undertaken will enable us to meet the requirement to provide an overall opinion on the council's framework of risk management, governance and internal control we have assigned assurance themes to the reviews. These themes are taken into account when identifying and prioritising work throughout the year to ensure that there is a breadth of work across these areas to arrive at a strong, evidenced-based annual opinion.
- 4.4 The planned audit engagements outlined in Table 1 include both assurance and consultancy reviews as defined by the PSIAS. The consultancy reviews are advisory in nature and add value and improve governance, risk management and control processes without Internal audit assuming management responsibility. Both types of review contribute to the annual assurance opinion of the CAE. The balance between these types of reviews will be monitored through the ongoing review of the plan.
- 4.5 The remaining 52% of the planned audit days are held as contingency to enable us to plan and complete work over the course of the year in direct correlation with the changing risks and priorities of the organisation. As outlined in 5.1 below our update reports will include planned activity for the next period drawing from this contingency.
- 4.6 A significant portion of our initial planned engagements is directed towards the transformational work across the council. This recognises that the council is, has and continues to undertake reviews across the organisation to identify opportunities to continue to modernise and improve services, reduce costs and generate additional income. Our work in this area will provide a range of assurances around the risks posed when reshaping the way services are delivered, including from a financial perspective and ensuring continued regulatory and legislative compliance. This will also enable us to provide assurance and advice in respect of the arrangements in place to manage change effectively.

- 4.7 Financial risk represents a key theme running throughout the plan, with over half the initial planned engagements covering an element of financial management. This reflects the current risk profile of the organisation and provides an opportunity for us to provide valuable assurances across a wide range of financial systems and processes.
- 4.8 Tackling the threat of fraud and corruption continues to be a priority across the public sector and, as a result, Counter Fraud and Corruption activities form a substantial part of our audit plan. This is split between reactive and proactive workstreams, including time to maintain the counter fraud and corruption strategic and policy framework and raise awareness of key risk areas through the delivery of bespoke training.
- 4.9 In addition to the work outlined in Table 1 we have a small number of external clients for which we provide internal audit services. This work is estimated at 85 days for 2024/25 and is not included in the days allocated to the plan in 3.1 above. Provision of these services will not impact on our ability to deliver the assurances required for the council.

5 Update Reporting and Monitoring Arrangements

- 5.1 Update Reports are provided to the Committee throughout the year. These will include the following information on the delivery of planned audit activity:
- A summary of the planned work that has been completed during the period, along with any significant issues identified
 - Planned work ongoing to be carried forward to the next period
 - Any unplanned work completed (with supporting reasons for why this work has been brought forward as an immediate priority)
 - Any planned work that is no longer determined to be a priority (including the supporting reasons why)
 - A statement of planned activity for the next period. This will include an outline of prioritised audit engagements that have been discussed and agreed with Directorate leads.
 - Recommendation Tracking – reporting the number of high and medium priority recommendations raised and implemented by Directorates
 - Feedback received from audit clients through our Customer Satisfaction Questionnaire and through dialogue with client teams
 - Our Quality Assurance Improvement Programme
- 5.2 The above approach will provide greater transparency (period by period) on the work that we commit to carrying out, enabling the committee to review our performance in completing planned engagements and delivering outcomes. By reporting audit planning as a continual process, this will also provide the opportunity for the Committee to regularly contribute to the planning process.

5.3 Regularly reporting on audit planning activity will also enable us to highlight clearer links between emerging organisational priorities, changes in the recognition of risk (at corporate and directorate level) and Internal Audit activity. This should provide the Committee with important sources of assurance that the Internal Audit function is value-adding and risk-based.

Table 1: Statutory Requirements and Initial Priority Areas for Internal Audit Planning 2024-25

Audit Area	Overview of Assurance	Assurance Themes	Risks
Counter Fraud and Corruption			
Whistleblowing Hotline and Reactive Work	Risk assessment and investigation of allegations and referrals providing assurance that there is an independent and objective process in place for acting on whistleblowing concerns received.	Counter Fraud and Corruption, Financial Management, Ethics and Culture, Human Resource Management, Legislative / Regulatory Compliance	Various
Counter-Fraud and Corruption Proactive Work	Risk-based work to prevent and detect fraud. Fraud awareness training and communication to support a counter fraud culture. Participation in the Cabinet Office National Fraud Initiative (NFI) exercise.	Counter Fraud and Corruption, Financial Management, Legislative / Regulatory Compliance, Governance and Decision Making, Ethics and Culture, Value for Money	Various
Counter-Fraud and Corruption Policy Updates - cyclical	Review of the: <ul style="list-style-type: none"> • Whistleblowing Policy in line with current legislation and best practice. • Counter Fraud and Corruption Strategy/Fraud Response Plan to ensure this remains relevant. 	Counter Fraud and Corruption, Financial Management, Procurement, Contracts and Commissioning, Ethics and Culture, Legislative / Regulatory Compliance	Various
Grants and Head of Audit Assurances			
Various Grant Assurances	Independent examination of accounts and / or assurance that the grant claim has been spent in accordance with the grant determination.	Performance Management, Financial Management, Counter Fraud and Corruption	Various

Audit Area	Overview of Assurance	Assurance Themes	Risks
Key Financial Systems			
Council Tax	To gain assurance over the Council Tax processes for billing, income collection, recovery action, refunds and write offs.	Financial Management, Performance Management, Risk Management, Value for Money, Counter Fraud and Corruption Legislative / Regulatory Compliance	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy
Housing Benefits	To gain assurance over the processes and performance within the Benefits Assessment Unit, including ensuring that Housing Benefit and Council Tax Support payments are accurately processed and paid.	Financial Management, Performance Management, Risk Management, Legislative / Regulatory Compliance, Counter Fraud and Corruption, Value for Money	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy
KFS Data Analytics	Evaluation of control effectiveness across key systems on a routine basis, highlighting and reviewing high risk events or transactions.	Financial Management, Value for Money, Counter Fraud and Corruption, Governance and Decision Making, Procurement, Contracts and Commissioning, Risk Management	Various
Cross Cutting Audits			
Financial Challenge	Time set aside to allow for Internal Audit reviews aimed at supporting the council's efforts to address the current financial challenges, including the arrangements in place to reduce non-essential spend.	Financial Management, Transformation and Innovation, Governance and Decision Making, Risk Management, Ethics and Culture, Performance Management, Value for Money, Counter Fraud and Corruption, Legislative/Regulatory Compliance	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy
Core Business Transformation	Time allocated within the plan to robustly challenge the programme and to provide assurance on the governance and value for money arrangements. This will include review the readiness for implementation of both Microsoft Dynamics Finance and Operations and iTrent and the new ways of working resulting from this.	Transformation and Innovation, Governance and Decision Making, Financial Management, Human Resource Management, Performance Management, Risk Management, Counter Fraud and Corruption, Consultation and Engagement, Information Governance, Project and Programme Management, Value for Money	LCC02 - Council Resilience, LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy, LCC26 - Information Management and Governance

Audit Area	Overview of Assurance	Assurance Themes	Risks
Organisational Redesign	Time allocated to support the organisational redesign work being undertaken across the council. This will include providing assurance on the governance of the programme; providing support and assurance as new ways of working are developed and implemented; and ensuring that potential risks and control weaknesses are highlighted and considered as part of the redesign.	Transformation and Innovation, Project and Programme Management, Consultation and Engagement, Ethics and Culture, Commercial, Asset Management, Financial Management, Risk Management	LCC02 - Council Resilience, LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy
Organisational Culture	Targeted reviews looking at the organisational culture within a sample of service areas with a view to providing assurance on the arrangements in place to embed values, behaviours and a positive and healthy working culture. Specific areas of coverage to be determined on a risk basis.	Ethics and Culture, Human Resource Management, Consultation and Engagement, Equality, Diversity and Inclusion, Performance Management, Risk Management	Various
Complaints Handling	To review and provide assurance on the arrangements in place to ensure complaints are addressed in a consistent, comprehensive and timely manner in accordance with policy requirements.	Human Resource Management, Ethics and Culture, Consultation and Engagement, Equality, Diversity and Inclusion, Information Governance, Legislative / Regulatory Compliance, Performance Management	Various
Service Specific Audits			
Children & Families Transformation	Time allocated to support Children & Families transformation work being undertaken to address the current financial challenges. This will include providing support and assurance as the services develop new ways of working and implement these changes; and ensuring that potential risks and control weaknesses are highlighted and considered.	Transformation and Innovation, Financial Management, Risk Management, Project and Programme Management, Governance and Decision Making, Legislative / Regulatory Compliance, Consultation and Engagement, Safeguarding, Value for Money	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy, LCC42 - Inspections: poor outcomes, LCC03 - Safeguarding Children

Audit Area	Overview of Assurance	Assurance Themes	Risks
Children & Families Finance Policies and Use of Section 17 Fund Follow Up	To review the progress made implementing the recommendations made as part of the previous review.	Financial Management, Value for Money, Legislative / Regulatory Compliance, Ethics and Culture	LCC03 - Safeguarding Children, LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy, LCC42 - Inspections: poor outcomes
Selective Licensing	A review of the processes in place for ensuring that properties subject to selective licensing are licenced and inspected as appropriate.	Legislative / Regulatory Compliance, Asset Management, Health and Safety, Performance Management, Risk Management	LCC11 - Health and Safety Failure
Homes of Multiple Occupancy Follow Up	To review progress made in implementing the recommendations made for the objectives that previously received a limited assurance opinion.	Asset Management, Health and Safety, Legislative / Regulatory Compliance, Performance Management, Risk Management, Safeguarding	LCC11 - Health and Safety Failure
Regulators of Social Housing Consumer Standards	To provide assurance that there are processes in place to ensure that the council complies with the new consumer standards that come into force in April 2024.	Legislative / Regulatory Compliance, Consultation and Engagement, Health and Safety	LCC42 - Inspections: poor outcomes
Tenant Satisfaction Measures	To provide assurance that there are appropriate mechanisms in place to monitor and report on the Tenant Satisfaction Measures all social housing landlords are required to report on.	Performance Management, Consultation and Engagement, Information Governance, Legislative / Regulatory Compliance	LCC42 - Inspections: poor outcomes
Environmental Enforcement	To provide assurance that there are policies in place that set out the legal / regulatory obligations with regard to environmental enforcement and that there are processes in place to ensure that these are discharged consistently and appropriately.	Legislative / Regulatory Compliance, Performance Management, Counter Fraud and Corruption, Financial Management	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy, LCC11 - Health and Safety Failure
ICO Action Plan	Time allocated to provide support and challenge to the service implementing the recommendations from the ICO visit. This	Information Governance, Legislative / Regulatory Compliance	LCC26 - Information Management and Governance, LCC42 - Inspections: poor outcomes

Audit Area	Overview of Assurance	Assurance Themes	Risks
	will include providing support and assurance as new ways of working are developed and implemented and ensuring that potential risks and control weaknesses are highlighted and considered.		
Digital Governance	To provide assurance that there are appropriate governance arrangements in place both within IDS and for the wider digital work across the council.	Governance and Decision Making, Transformation and Innovation, Information Governance, Project and Programme Management	LCC15 - Major ICT Failure, LCC26 - Information Management and Governance, LCC31 - Major Cyber Incident, LCC02 - Council Resilience, LCC10 - Medium Term Financial Strategy
Management of Cloud Services Contracts	To provide assurance the costs associated with provision major cloud services are controlled, monitored and in line with agreed contracts.	Procurement, Contracts and Commissioning, Performance Management, Financial Management, Value for Money, Information Governance	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy
Data Protection Impact Assessments	To review the progress made implementing the recommendations made in relation to the limited opinion.	Information Governance, Cyber Security, Legislative / Regulatory Compliance, Risk Management	LCC26 - Information Management and Governance
Invest to Save Schemes	To provide assurance that there are robust processes in place to ensure that projects funded through the invest to save or innovation fund are subject to approval, which enables the benefits to be measured and monitored against the expected outcomes.	Financial Management, Governance and Decision Making, Performance Management	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy
Implementation of the Procurement Act	To provide support to the service in implementing the new Procurement Act. This will include providing support and assurance in relation to new ways of working and to ensure that potential risks and control weaknesses are highlighted and considered.	Legislative / Regulatory Compliance, Procurement, Contracts and Commissioning, Consultation and Engagement, Transformation and Innovation	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy

Audit Area	Overview of Assurance	Assurance Themes	Risks
PFI Contract Expiry	Time allocated to support the service in the development of processes and procedures for the expiry of PFI contracts.	Procurement, Contracts and Commissioning, Financial Management, Governance and Decision Making, Legislative / Regulatory Compliance, Value for Money	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy, LCC11 - Health and Safety Failure
Highways overtime and standby payments	To provide assurance that there are robust processes in place to ensure that these payments are legitimate, authorised and accurately processed.	Performance Management, Risk and Resilience, Financial Management, Value for Money, Legislative / Regulatory Compliance, Counter Fraud and Corruption	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy
School Follow Up Reviews & Voluntary funds	To review the progress made implementing the recommendations made in relation to the limited opinions for the schools reviews and to undertake audits on school voluntary funds.	Financial Management, Counter Fraud and Corruption, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	LCC09 - In-year Budget, LCC10 - Medium Term Financial Strategy