

Internal Audit Annual Report and Opinion 2023/24

Date: 29th July 2024

Report of: Senior Head of Internal Audit, Corporate Governance & Insurance

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

This report sets out the annual opinion of the Chief Audit Executive and provides a source of assurance that the internal control environment is operating as intended through a summary of the Internal Audit activity for the 2023/24 Internal Audit plan. The report highlights the incidence of any significant control failings or weaknesses.

The work of Internal Audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which provides a solid footing for delivering the aims of the Best City Ambition.

Recommendations

The Corporate Governance and Audit Committee is asked to receive the Internal Audit Annual Report and Opinion for 2023/24 and note the opinion given. In particular:

- a) That, based on the audit work undertaken for the 2023/24 Internal Audit plan, the internal control environment (including the key financial systems, risk, and governance) is well established and operating effectively in practice.
- b) A satisfactory overall opinion is provided for 2023/24, based on the audit work detailed within this report.
- c) That the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing (IPPF).

The Committee is also asked to note that there have been no limitations in scope, and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

What is this report about?

- 1 The purpose of this report is to bring to the attention of the Committee, the annual Internal Audit opinion and basis of the Internal Audit assurance for 2023/24.
- 2 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements (including matters such as internal control and risk management) and to consider the Annual Internal Audit Report.
- 3 The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to deliver an annual Internal Audit opinion and report that can be used by the Council to inform its governance statement. For the purpose of this report, the role of the Chief Audit Executive is occupied by the Senior Head of Audit, Corporate Governance, and Insurance.
- 4 The report considers the opinion provided by the Chief Audit Executive based on the work undertaken and completed for 2023/24 regarding the adequacy and effectiveness of the Authority's framework of governance, risk management and control. The work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

What impact will this proposal have?

- 5 The work of Internal Audit contributes towards Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which provides a solid footing for delivering the aims of the Best City Ambition.
- 6 The annual Internal Audit opinion is used by the Council to inform its governance statement.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 7 The work of Internal Audit provides assurances that span a range of themes including coverage across the Council's three key pillars.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 8 The Internal Audit plan is developed annually in consultation with Members and senior management across the Authority. Consultation around key risks and priorities continues throughout the year, and continual engagement with directorates is driven through the ongoing completion of audit assignments and the agreement of the associated recommendations. Management is routinely engaged in providing feedback on the performance of Internal Audit, and this has been reflected in the annual report accordingly.

What are the resource implications?

- 9 The work of Internal Audit evaluates the effective use of resources and provides assurance on the corresponding financial governance, risk management and internal control arrangements.

10 The Internal Audit Annual Report and Opinion provides the Committee with assurances around the effective use of the Internal Audit resources through information pertaining to the delivery and completion of the annual plan.

What are the key risks and how are they being managed?

11 The Internal Audit plan has been subject to review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process involves the review of information from a number of sources including the corporate and directorate risk registers.

12 The risks relating to the achievement of the Internal Audit plan are managed through ongoing monitoring of performance and resource levels. This information is reported to the Committee throughout the year and summarised within the annual report.

What are the legal implications?

13 The Chief Officer (Financial Services), as the Council's Section 151 officer, is responsible under the Local Government Act 1972, for ensuring that there are arrangements in place for the proper administration of the Authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising her responsibility for financial administration.

Options, timescales and measuring success.

What other options were considered?

14 The work of Internal Audit provides a key source of assurance to the Committee. Additional assurances are obtained through a range of further reports presented to the Committee throughout the year.

How will success be measured?

15 Success is measured through the delivery of the Internal Audit Annual Report and Opinion. Supporting performance measures are reported to the Committee, both within the annual report and throughout the year, and these are subject to continual review and development.

What is the timetable and who will be responsible for implementation?

16 The Internal Audit Plan for 2023/24 was approved by the Committee in March 2023. Whilst the Chief Audit Executive retains overall accountability for delivery of the annual opinion, the Head of Finance (Internal Audit) has been responsible for the day-to-day delivery of the plan.

Appendices

17 Appendix A – Internal Audit Annual Report – Opinion and Basis of Assurance 2023-24
Appendix B – Internal Audit Annual Report – Audit Resources and Quality Assurance and Improvement Programme (QAIP) 2023-24
Appendix C – Internal Audit Annual Report – List of Work Completed 2023-24

Background papers

18 None