



Appendix B
Leeds City Council
Internal Audit Annual Report
Audit Resources and
Quality Assurance and Improvement Plan (QAIP)
2021-22

Corporate Governance and Audit Committee

3rd October 2022

INTERNAL AUDIT ANNUAL REPORT – AUDIT RESOURCES AND QAIP 2021/22

1 Resources

- 1.1 The Public Sector Internal Audit Standards (PSIAS) Performance Standard 2030 states “The Chief Audit Executive must ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan”. The table below demonstrates that during 2021-22, FTE resources within the Internal Audit have decreased, however years of experience within the team has increased.
- 1.2 We continue to take a risk-based approach throughout the year and can confirm that resources have been appropriate, sufficient and effectively deployed to achieve the audit coverage necessary to deliver the annual Internal Audit opinion.

Experience of Full Time Equivalent (FTE) staff in post

Years of experience – local government auditing	FTE at 31/03/2021	FTE at 31/03/2022
Less than 1 year	0	0
1 – 5 years	5.68	1.68
6 – 10 years	2	5
Over 10 years	9.32	8.89
Total FTE	17.00	15.57

Proficiency and Due Professional Care

- 1.3 Proficiency and due professional care are a key requirement of the PSIAS. All Internal Auditors have a personal responsibility to undertake a programme of Continuing Professional Development (CPD) to maintain and develop their competence. We have allocated time within the audit plan for CPD, training and personal development to be undertaken throughout the year to continuously improve the knowledge and skills within the Internal Audit section.
- 1.4 All members of the Internal Audit team are professionally qualified or are studying for professional qualifications and the table above demonstrates that there is also a good level of local government auditing experience within the team.

2 Quality Assurance and Improvement Programme and Conformance with PSIAS 2021/22

Internal Audit Performance

- 2.1 The Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the Council's arrangements for monitoring the performance of Internal Audit. This section of the report summarises the performance information that has been reported throughout the year to the Corporate Governance and Audit Committee.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) require a quality assurance framework to be established, which includes both internal and external assessments of the work of Internal Audit. The activities we undertake to satisfy the requirements for internal assessments include:
 - Ongoing supervision, performance management, quality assurance and regular review of the procedures that guide staff in performing their duties to ensure they conform to the PSIAS. The latest annual external review of our quality management system was undertaken in November 2021, further details are included at 2.3 below.
 - Customer Satisfaction Questionnaires (CSQs) are issued to clients at the end of each assignment and the information returned is used to identify training and development needs. The results of the returned CSQs are reported to the Committee at each update report and an annual summary is included below.
 - Self-assessments are undertaken against the PSIAS for conformance. The light touch self-assessment was completed in Spring 2021 mindful of the fact that a more comprehensive review would be undertaken later in the year and validated through an external assessment.
- 2.3 The PSIAS require that an external assessment is conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Our latest assessment by Glasgow City Council took place

during 2021 which concluded that Leeds City Council’s Internal Audit Service conforms to the requirements of the PSIAS. It had been agreed by the Core Cities Internal Audit Group that rotational peer reviews would be undertaken. The members of the Committee were provided with the full report at the December 2021 meeting. Recommendations included within the external assessment report are included within the Quality Assurance Improvement Programme and progress will be reported to the Committee throughout the year.

2.4 Members receive updates on the work of Internal Audit throughout the year. The table below summarises the reports provided to the Corporate Governance and Audit Committee between 1st April 2021 to 31st August 2022.

Report	Purpose
Internal Audit Update Reports	Provided regular summaries of the work undertaken by Internal Audit and allowed the Committee to review the performance of the section.
Annual Report 2020-21	Provided an overview of the work undertaken by Internal Audit and the Annual audit opinion in respect of the Council’s governance, risk management and control arrangements for 2020-21.
Annual Audit Plan 2022-23	Presented the proposed Internal Audit Plan for 2022-23 for review and approval.

Quality

2.5 The annual independent review of the Internal Audit quality system was undertaken in November 2021. The assessment confirmed that the management system continues to conform to our own standards and procedures and is demonstrating continual improvement. One minor non-conformance was identified as although we were able to demonstrate that we were complying with a particular clause, the reference to it had not been included in the quality manual. This has been addressed. There was also one minor opportunity for improvement which has been addressed. All Internal Audit work is undertaken in accordance with internal quality procedures incorporated in the quality management system, which has been ISO certified since 1998.

2.6 A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditee’s opinion on a range of issues with an assessment ranging from 5 (for excellent) to 1 (for poor). The table below shows the results for the 45 questionnaires received for the 2021/22 Internal Audit Plan an overall response rate of 85% (for

comparison, the 2020/21 Annual Report reported an overall response rate of 59%). The results are presented as an average of the scores received for each question, along with the range of values that make up this average.

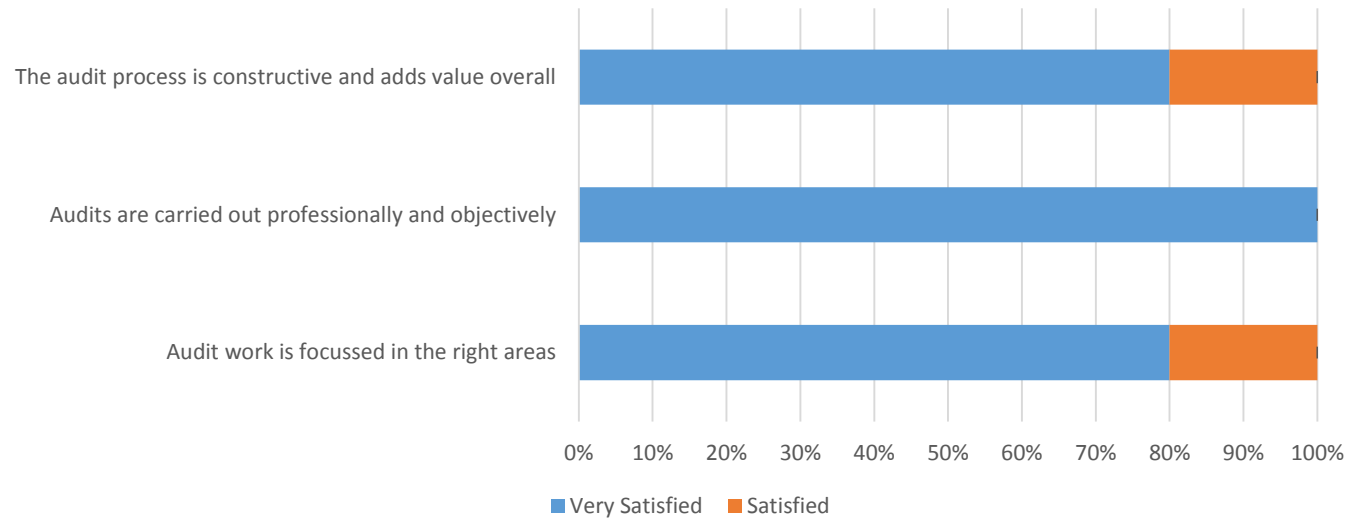
Question	Average Score (out of 5)	Max Value	Min Value
Sufficient notice was given	4.85	5.00	3.00
Level of consultation on scope	4.72	5.00	3.00
Auditor's understanding of systems	4.52	5.00	3.00
Audit was undertaken efficiently	4.75	5.00	1.00
Level of consultation during the audit	4.74	5.00	3.00
Audit carried out professionally and objectively	4.95	5.00	4.00
Accuracy of draft report	4.91	5.00	3.00
Opportunity to comment on audit findings	4.93	5.00	4.00
Clarity and conciseness of final report	4.91	5.00	4.00
Prompt issue of final report	4.71	5.00	4.00
Audit recommendations will improve control	4.74	5.00	3.00
The audit was constructive and added value	4.77	5.00	3.00
Overall Average Score	4.79		

- 2.7 The graph below breaks the results down further by showing the return rate by Directorate. There are instances where the volume of CSQ's received exceeds the number of CSQ's sent to the Directorate. This has occurred when there has been a delay in Directorates providing CSQ feedback for audit work completed during the 2020/21 audit year but have been received during the 2021/22 audit year.



- 2.8 We have continued to look at ways of maximising our CSQ feedback, and the previous Chair of the Committee wrote to the Chief Executive and the Director of Resources to reinforce the reliance that members place upon the CSQ process. This resulted in communications being circulated through the Best Council Leadership Team in an effort to further engage all services in the provision of feedback.
- 2.9 To supplement the established CSQ process, we also confirmed to the Committee that we would write to directors at the end of the financial year to ask for their views on our service and include the feedback in this Annual Report. We asked the directors to indicate their level of satisfaction with our service using a rating of 'very satisfied', 'satisfied', 'fairly satisfied' and 'not satisfied'. Responses were received from all directors, or their nominated representatives and the results are provided below.

Director Feedback



Internal Audit play an important function in managing the Council's risk and helping to assure the control measures in place across a diverse range of service areas.

The directorate values the work and the contribution of our Internal Audit colleagues. Audit activity is always undertaken restoratively and provides a shared opportunity for the directorate to work alongside audit colleagues to undertake detailed work/deep dives into specific areas of service delivery. The learning/recommendations that arise from this is always valued and contributes directly to the directorates ongoing effectiveness and efficiency.

Internal Audit continues to add great value, combining a detached objectivity with a constructive approach to enabling the Council to improve. The shift in emphasis to assessing risk at an earlier stage is welcome and has already paid dividends in relation to grant disbursements.

The IA process is professionally run, ensuring a co-determined audit plan that is prioritised incorporating risk and directorate need. The plan allows for prioritisation in terms of overruns, additional options should capacity arise and timed to ensure key times are avoided to ensure maximum output from the audit.

Inclusion of IA in key projects as well as a part of our Budget Review Group allows for an independent and informed viewpoint, which both assists the directorate and (in my opinion) widens the knowledge base of IA colleagues which helps in delivering the Audit Plan.

A very valued service.

Quality Assurance and Improvement Action Plan

- 2.10 The PSIAS require that the results of the Internal Audit Quality Assurance and Improvement Plan (QAIP) are included in the Annual Report. The QAIP brings together our commitment to continually review and improve the way in which we deliver our Internal Audit service and embed our quality system into working practices. Over the last year there has been a considerable impetus across the team to identify areas for improvement that can be considered for inclusion in the QAIP. The 2021/22 Action Plan is provided in the table below.

Action	Timescale and Status
Assurance mapping will continue to be developed to support the annual audit planning process.	Ongoing – this work is being taken forward through our participation in a CIPFA assurance framework working group ahead of being rolled out across the teams.
Internal development of counter-fraud training for use on the Performance and Learning (PAL) system.	Complete – the counter fraud training has been developed and has now been published on the Council’s Performance and Learning System.
A communications plan will be developed to roll out the counter-fraud training on a risk basis and further promote the Council’s whistleblowing processes.	Complete – the communications plan has been developed and the fraud awareness training has been promoted to staff.
Internal Audit Counter-Fraud Insite Page – To update the counter-fraud information available internally through the intranet.	Complete – this has been refreshed in conjunction with the development of the Counter-Fraud strategy and updates to the Whistleblowing Policy and the external Reporting Fraud, Bribery and Corruption web page.
Internal Audit Performance Monitoring – internal performance measures, including KPIs, have been reviewed to support and drive completion of the annual audit plan.	Ongoing – Further work is required with the aim of producing additional performance monitoring information for the committee.

Action	Timescale and Status
<p>Internal Audit Reporting Protocols – to update and streamline directorate reporting protocols to drive timely completion of audit reports.</p>	<p>Ongoing – Revised protocols have been drafted and are currently at consultation stage ahead of being rolled out for the start of 2022/23.</p>
<p>Internal Audit Reporting – to review and refresh the way in which our audit work is reported, with a view to identifying and implementing the most efficient and effective means and reflecting the needs of Members.</p> <p>Currently the Internal Audit team report on compliance with the PSIAS through the Annual Report and overall opinion. The external assessment recommended that compliance is referred on a more regular basis, for example within each audit report.</p>	<p>Complete – The new Internal Audit Report template has been completed. This new template will be used as standard for all future audits.</p>
<p>Internal Audit Technical Manual – To review and update the technical manual as a means of promoting auditing best practice across the team.</p>	<p>Substantially Complete – The technical manual has now been reviewed and the points raised will be discussed at our Quality Operational Review Group.</p>
<p>SharePoint Online Working Platform and Internal Audit Workflows – To review our usage of SharePoint Online in conjunction with the transition to the cloud, and to determine the most effective means of storing and accessing electronic information. This works alongside an effort to promote streamlined and standardised workflows in accordance with the section’s Quality Procedures.</p>	<p>Complete – The Internal Audit Hub has been created on SharePoint Online and all relevant data migrated across. A process flowchart has also been developed in accordance with the Quality Procedures, and this has been shared with the team and published on the Internal Audit Hub.</p>
<p>Internal Training Programme – To identify and address relevant training areas across the team.</p>	<p>Ongoing – The team has been consulted on areas in which additional training is required. To date this has resulted in:</p> <ul style="list-style-type: none"> • SharePoint Online Training – now completed. • Power BI Training – is currently being developed • Trainee Skills Matrix – introduced to support the development of trainees.

Action	Timescale and Status
<p>The external assessment highlighted that the Head of Audit should have regular scheduled meetings with the Chief Executive</p>	<p>Complete – Formal meetings are scheduled with the Chief Executive every quarter. This will provide an opportunity to brief the Chief Executive on key audit activity and obtain information on any emerging areas of risk or concern.</p>
<p>Whilst the Internal Audit Plan is kept under review and changes made as required throughout the year, the external assessment highlighted a need to formally document changes to the plan and ensure that these are reported to the Corporate Governance and Audit Committee</p>	<p>Complete – changes to the Internal Audit Plan are now being reported within the quarterly update reports provide to the Corporate Governance and Audit Committee.</p>