

Internal Audit Update Report September to December 2022

Date: 06th February 2023

Report of: Chief Officer (Financial Services)

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 provides a source of assurance that the internal control environment is operating as intended through a summary of the Internal Audit activity for the period from September to December 2022. 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 enables a focus on accomplishing the key priorities and Best City Ambition.

Recommendations

The Corporate Governance and Audit Committee is asked to

- a) receive the Internal Audit Update Report covering the period from September to December 2022 and note the work undertaken by Internal Audit during the period covered by the report.
- b) note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.
- c) receive the report providing information relating to the Monitoring of Urgent Decisions covering the period September to December 2022.
- d) receive the Internal Audit Data Analytics Strategy 2022/25.

What is this report about?

- 1 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. The Committee also considers the Council's arrangements relating to internal audit requirements, including monitoring the performance of Internal Audit.
- 2 This report provides the Committee with a summary of the Internal Audit activity for the period September to December 2022. 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.
- 3 The report also includes information relating to the monitoring of urgent decisions which is included to enable timely consideration of these matters by Committee.

Head of Internal Audit Opinion

- 4 The Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual 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.
- 5 Based on the audit work undertaken in the period, an overall adequate assurance opinion is considered to be appropriate. A summary of our quarterly opinions for the year to date is as follows:

	Update 1	Update 2	Update 3	Update 4
Assurance Opinion	Adequate	Adequate	Adequate	

- 6 Consideration of our overall opinion takes the following into account:
 - results from the substantive audit assignments we have completed during the period;
 - outcomes from our audit work not producing an assurance opinion;
 - an assessment as to the timely implementation of internal audit report management actions.

Internal Audit Data Analytics Strategy 2022/25

- 7 Data is a key asset in supporting the council to deliver the best possible services. Leeds City Council is a data rich organisation and, as such, Internal Audit is continually considering how data analytics can add value to our role in providing risk-based assurance, advice, and insight. We have developed a Data Analytics Strategy covering the period 2022/25. This strategy outlines our vision, aims and key areas of focus for data analytics to assist with the delivery of the internal audit plan. Our ambition is to continually improve our use of data analytics, expanding our coverage, adapting to new risks, and embracing new techniques and technologies to deliver our objectives.

What impact will this proposal have?

- 8 This report provides a source of assurance that the internal control environment is operating as intended. The report highlights the incidence of any significant control failings or weaknesses that would require the intervention of the Committee.
- 9 The work of Internal Audit contributes towards Leeds City Council achieving its key priorities and Best City Ambition.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

10 The Internal Audit Plan 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

11 The Internal Audit Plan is developed 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.

What are the resource implications?

12 The Internal Audit Plan includes a number of reviews that evaluate the effective use of resources and provide assurance on the corresponding financial governance, risk management and internal control arrangements.

13 The Internal Audit Update Report also provides the Committee with assurances around the effective use of 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?

14 The Internal Audit Plan is 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.

15 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.

16 There is a risk that our audit arrangements fail to identify a major control weakness in the council's systems and arrangements. This risk is managed through the Internal audit Plan being prioritised and directed towards the areas of highest risk. It is also managed through our quality assurance arrangements as outlined in Appendix B of this report.

What are the legal implications?

17 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.

18 The Public Sector Internal Audit Standards (PSIAS) require the Head of Audit to deliver an annual audit opinion and report that can be used by the council to inform its Annual Governance Statement. Each Internal Audit Update Report will provide a rolling quarterly opinion that will feed into the Internal Audit Annual Report and Opinion.

19 The Internal Audit Plan includes a number of reviews that provide assurances around the application of the statutory and constitutional framework.

Options, timescales and measuring success

What other options were considered?

20 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?

21 Success can be measured through the delivery of the Internal Audit Annual Report and Opinion. Each quarterly update report will provide a rolling quarterly opinion that will reflect the work completed during the period.

22 Further performance measures and drivers are under continual review to ensure that relevant performance information is reported to the Committee throughout the year.

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

23 The Internal Audit Plan is in place and is approved annually by the Committee. The Head of Audit is responsible for delivery of the plan.

Appendices

- A – Internal Audit Update Report – Assurance and Consulting Activities September – December 2022
- B – Internal Audit Update Report – Quality and Performance September – December 2022
- C – Monitoring of Urgent Decisions September – December 2022
- D – Internal Audit Data Analytics Strategy 2022/25

Background papers

- None