



**Appendix B**  
**Leeds City Council**  
**Internal Audit Annual Report**  
**Audit Resources and**  
**Quality Assurance and Improvement Plan (QAIP)**  
**2022-23**

**Corporate Governance and Audit Committee**

**24<sup>th</sup> July 2023**

## INTERNAL AUDIT ANNUAL REPORT – AUDIT RESOURCES AND QAIP 2022/23

### 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 2022-23, FTE resources within the Internal Audit have remained the same, 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 31/03/2022	FTE at 31/03/2023
Less than 1 year	0	0
1 – 5 years	1.68	1.95
6 – 10 years	5	4
Over 10 years	8.89	9.89
<b>Total FTE</b>	<b>15.57</b>	<b>15.84</b>

## **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 2022/23**

### **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 external certification of our quality management system was undertaken in November 2022, further details are included at 2.5 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. These standards are currently being reviewed by the Global Institute for Internal Auditors (IIA) with the new standards expected in Q4 2023. We will undertake an assessment against the new standards to ensure that we will comply with them when they come into force, which is expected to be Q4 2024.

- 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 has been and will continue to 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 1<sup>st</sup> April 2022 to 30<sup>th</sup> June 2023.

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 2021-22	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 2021-22.
Annual Audit Plan 2023-24	Presented the proposed Internal Audit Plan for 2023-24 for review and approval.
Counter Fraud Update Reports	Provided six monthly updates of the counter fraud activities undertaken by Internal Audit and information from other service areas who contribute to the Council’s counter fraud assurances to give a rounded overview of the work that is being undertaken across the Council on counter fraud activities.

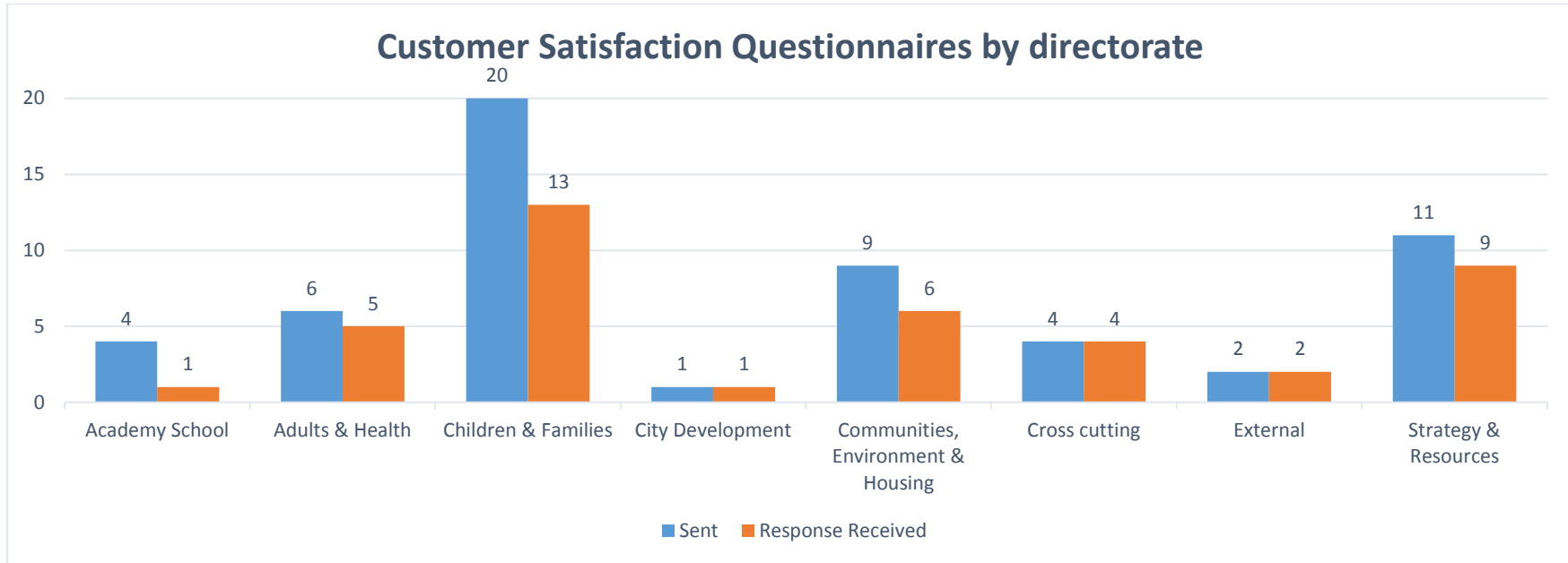
## Quality

- 2.5 The latest external certification of our quality management system was undertaken in November 2022. The assessment confirmed that our arrangements continue to conform to the ISO quality management standards and is demonstrating continual improvement. Certification was successfully awarded for a further 3 years, this is subject to an annual surveillance review. 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 41 questionnaires received for the 2022/23 Internal Audit Plan an overall response rate of 72% (for comparison, the 2021/22 Annual Report reported an overall response rate of 85%). 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	4.88	5.00	4.00
Level of consultation on scope	4.70	5.00	3.00
Auditor's understanding of systems	4.59	5.00	3.00
Audit was undertaken efficiently	4.59	5.00	1.00
Level of consultation during the audit	4.81	5.00	4.00
Audit carried out professionally and objectively	4.83	5.00	3.00
Accuracy of draft report	4.78	5.00	4.00
Opportunity to comment on audit findings	4.96	5.00	4.00
Clarity and conciseness of final report	4.78	5.00	4.00
Prompt issue of final report	4.71	5.00	3.00
Audit recommendations will improve control	4.63	5.00	3.00
The audit was constructive and added value	4.60	5.00	2.00
<b>Overall Average Score</b>	<b>4.74</b>		

2.7 The graph below breaks the results down further by showing the return rate by Directorate.



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 As well as the CSQ process the members of the team receive feedback directly from clients and senior management within the directorates. These have been provided in our regular update report.

### 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 2022/23 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 – we are reviewing our assurance mapping arrangements and will report this to the committee within our 2023/24 update reporting cycle.
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 being undertaken with the aim of reviewing performance measures and producing meaningful information for the committee.
Internal Audit Reporting Protocols – to update and streamline directorate reporting protocols to drive timely completion of audit reports.	Ongoing – We are continuing to look at the most effective ways of developing and embedding our up-to-date audit protocols.
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 of providing assurances and reflecting the needs of Members.	Complete – The new Internal Audit Report template has been completed. This new template will be used as standard for all future audits.
Internal Audit Technical Manual – To review and update the technical manual as a means of promoting auditing best practice across the team.	Complete – The technical manual has now been reviewed approved.

Action	Timescale and Status
<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>Complete – A Staff Skills Matrix has been developed and an action plan has been agreed. This will be used in 1:1s and appraisals to address any areas for development within the Internal Audit team.</p>
<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>
<p>Customer Satisfaction Questionnaires – continuing process review</p>	<p>Complete – A new approach has been developed and implemented at the start of the new financial year. This will come through in the future update reports.</p>
<p>Automation of the recommendation tracking process – to create an automated process for gathering data on the audit recommendation trackers for each assurance area.</p>	<p>Ongoing – Work has begun on the creation of an automated audit recommendation tracking process that will lessen the administrative burden that exists currently to collate recommendation tracking data.</p>