



## **Appendix A**

### **Leeds City Council**

# **Internal Audit Update Report – Assurance and Consulting Activities**

**Corporate Governance and Audit Committee**

**24<sup>th</sup> June 2024**

## **INTERNAL AUDIT UPDATE REPORT 2023/24**

**1<sup>st</sup> January 2024 to 31<sup>st</sup> March 2024**

### **1 Purpose of this report**

- 1.1 This report provides the Committee with a summary of the work completed by Internal Audit during the period from 1<sup>st</sup> January 2024 to 31<sup>st</sup> March 2024. 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.

### **2 Internal Audit Plan Progress**

- 2.1 The work of Internal Audit is directed by the annual Internal Audit Annual Plan. This has been developed in line with the Public Sector Internal Audit Standards (PSIAS) and has been reviewed and approved by the Committee.
- 2.2 Throughout the audit year we develop our Annual Assurance Opinion based upon:
- Work carried over from the previous year.
  - Work contained within the 2023/24 Internal Audit Plan that was approved by the Committee in March 2023.
  - Unplanned work undertaken in response to emerging risks and priorities.

### **3 Changes to the 2023/24 Internal Audit Plan**

- 3.1 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.
- 3.2 There have been changes in leadership and the structure of the internal audit team, as well as the economic environment and risk profile of the council changing dynamically in the period since the plan was initially approved. We have constantly reviewed the audit plan to ensure that it aligns to the key risks and priorities for the council and any new and emerging risks. Work has been prioritised to ensure that we are able to deliver that which adds the most value to the Council and the S151 Officer.
- 3.3 Our Internal Audit Plan for 2024/25, received and approved by the Committee in March 2024, highlighted a number of audit areas that have been carried forward from the 2023/24 Audit Plan for consideration and completion. The remaining amendments to 2023/24 planned activity are summarised below. Schools are excluded from this information due to the dynamic nature of this area of the plan.

<b>Assurance Block</b>	<b>Movement</b>
Directorate Risks – Adults & Health	Reviews of Telecare and the Quality Assurance Framework had been included in the 2023/24 audit plan, however these will now be considered as areas for review in 2024/25.
Directorate Risks – Children & Families	<p>In this period we have started to attend the SEND and Inclusion Improvement Programme Steering Group meetings. This group oversees transformation for SEND and Inclusion services, including implementing the recommendations from the PWC review of Education, Health and Care Plans (EHCPs).</p> <p>The 2023/24 plan included time to support the service in the delivery of the outcomes from the SEND Inspection. These actions have been fed into the SEND &amp; Inclusion project within Children &amp; Families. Progress on this project is reported through the Children &amp; Families Financial Health Task &amp; Finish Group meetings and to the Delivery Board. We attend both of these forums so are able to monitor progress and provide support and challenge to the project as appropriate.</p>
Directorate Risks – ICT & Information Governance	A review of Digital Road Maps had been included in the 2023/24 audit plan, however this will now be considered as an area for review in 2024/25.
Other Directorate Risks – Communities, Housing & Environment	<p>In this period we have been asked to provide assurance on the LibraryOn Ask for a Book Grant and the LibraryOn Website Grant as the Head of Audit is required to sign off the grant return.</p> <p>The 2023/24 audit plan included reviews in relation to Third Sector Funding for Communities &amp; Environments and Disrepair (HRA). These will now be considered as areas for review in 2024/25.</p>
Other Directorate Risks – Finance & Key Financial Systems	The 2023/24 audit plan included a review in relation to Bank Reconciliations. The scope of the work was discussed with the Chief Officer, Financial Services and widened to include all reconciliations undertaken by Exchequer Services. As the scope of the work has been increased and the work had not commenced before year end, this has been included as an initial priority area for the 2024/25 Internal Audit Plan.
Other Directorate Risks – Resources	The 2023/24 audit plan included a review on Equality, Diversity and Inclusion (EDI). The objective of this was to review the arrangements in place to drive forward equality, diversity and inclusion objectives, including the role of staff networks. Corporately the work in relation to step 5, where services / directorates come together to share what they have done in relation to EDI was not done until quarter 4. We can gain assurance from our involvement in this that there are mechanisms in place to drive forward the objectives. We will consider future work around EDI as an area for review in 2024/25.

## 4 Audit work

- 4.1 In this period we have undertaken audit reviews that have enabled us to gain assurance on elements of internal control, governance and risk.
- 4.2 Depending on the type of audit review undertaken, an assurance opinion may be assigned for the control environment, compliance, and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the system under review not being achieved. A compliance opinion provides assurance on the extent to which the controls are being complied with. Assurance opinion levels for the control environment and compliance are categorised as follows: substantial (highest level); good; acceptable; limited and no assurance.
- 4.3 Organisational impact is reported as either: major, moderate, or minor depending on the severity of the issues identified within the audit. Any reports issued with a major organisational impact will be reported to the Corporate Leadership Team along with the relevant directorate’s agreed action plan.
- 4.4 The table below is a summary of the work that has resulted in the formal issue of an audit report or a statutory return during the period from 1<sup>st</sup> January 2024 to 31<sup>st</sup> March 2024, along with the assurances provided where applicable.

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
<b>Other Directorate Risks – Communities, Housing, and Environment</b>				
LibraryOn – Ask for a book grant	N/A – Certification of grant claim			Financial Management, Anti-Fraud & Corruption, Performance Management, Social Value
LibraryOn – Website grant	N/A – Certification of grant claim			Financial Management, Anti-Fraud & Corruption, Performance Management, Social Value
<b>Other Directorate Risks – City Development</b>				
Long Term Voids	Acceptable	N/a	Minor	Financial Management, Asset Management, Value for Money, Performance Management

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Events costing and income generation	Acceptable	N/a	Minor	Financial Management, Value for Money, Governance & Decision Making, Anti-Fraud & Corruption
<b>Schools</b>				
School Voluntary Fund x 4	N/A – Certification of account balances			Financial Management, Anti-Fraud & Corruption, Procurement, Contracts & Commissioning, Value for Money, Governance & Decision Making

4.5 The following table provides a summary of the other audit work we have undertaken, along with the themes that the work contributes to providing assurance on.

Audit Work Completed	Details	Work Completed This Period	Assurance Themes
Core Business Transformation – Work Packages	Provision of support to various work streams within Financial Services that have been set up to ensure that working practices are fit for purpose and in preparation for the introduction of the new core system.	<p>We have provided consultancy work through the Finance Design Authority to aid in the development of the new processes within Microsoft Dynamics. This has been through a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service redesign.</p> <p>We have also provided consultancy work through direct involvement in working groups on the interfaces between dynamics and Civica Pay.</p> <p>We have provided consultancy work through the Core HR / Payroll Design</p>	The work contributes across a range of assurances including financial management, risk management, governance & decision making, business innovation and development, procurement, social value, value for money and legislative / regulatory compliance.

Audit Work Completed	Details	Work Completed This Period	Assurance Themes
		<p>Decision Panel to support those design decisions for iTrent. This has been through a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted.</p>	
<p>Core Business Transformation – Programme Assurance</p>	<p>Ongoing work to provide review, advice and challenge to the Programme Board including oversight and advice around the procurement process.</p> <p>The finance solution has been identified and KPMG have been appointed to assist officers in implementing the system.</p> <p>The procurement exercise to procure new Core HR and payroll technology alongside an Implementation and Transformation Partner is complete and Midland HR International have been appointed to implement their iTrent system.</p>	<p>During the period we have presented one quarterly assurance report to the Programme Board focusing on change management for the programme.</p> <p>We have attended a variety of meetings including the Programme Board to provide review, advice and challenge.</p> <p>The Head of Finance – Internal Audit is the chair of the Delivery and Quality Assurance Board set up for the implementation of finance solution. The purpose of this board is to assess project delivery performance and escalate any areas of concern to the Project Steering Group</p>	<p>The work contributes across a range of assurances including financial management and control, risk management, governance and decision making, programme management and contracts and procurement.</p>
<p>Children &amp; Families Delivery Board</p>	<p>Attendance at a board set up to oversee the plan for guiding Children &amp; Families improvement work during the period of transition out of the pandemic and recovering from its impacts</p>	<p>Attendance at several programme board meetings. Specifically we have provided internal audit input into the transport review being carried out by the service.</p> <p>We have supported the service by undertaking an end-to-end review of the transport process, including the flow of data between services. We have made recommendations to</p>	<p>The work contributes across a range of assurances including financial management and risk and resilience, governance and decision making, project and programme management, business innovation and development, and transformation.</p>

Audit Work Completed	Details	Work Completed This Period	Assurance Themes
		<p>enhance data records and reporting, improving actions available to fully review, challenge and model future transport requirements.</p> <p>The review included oversight of the production of dashboard information for SEN which will include a transport element.</p>	
SEND & Inclusion Improvement Programme Steering Group	This group was established to oversee the transformation of SEND and Inclusion services, including the implementation of recommendations from the PwC review of Education, Health, and Care Plans (EHCPs).	<p>Attendance at steering group meetings to provide a check and challenge approach to the ongoing delivery of the change programme, including the implementation timescales.</p> <p>This includes oversight of the workstreams covering programme management, demand and backlog management, new operating model implementation and technology.</p>	The work contributes to a range of assurances including governance and decision making, project and programme management, transformation, and legislative / regulatory compliance.
Leeds Building Services Review	A task and finish group has been established to support service improvement within LBS. The group has 5 overarching workstream: IDS, quality management system, procurement, procurement, budget, and workforce. Internal Audit are providing attendance, support, and challenge across a number of these workstreams.	Attendance at several workstream update meeting and overarching group meetings. Specifically, we have also provided input into the process mapping exercise under the quality management system workstream.	Financial Management, Business Innovation and Development, procurement, contracts, and commissioning

Audit Work Completed	Details	Work Completed This Period	Assurance Themes
Data Analytics	Data analysis of whole system populations to provide assurance over transactional integrity and accuracy and confirm that system controls are working as intended.	<p>We have undertaken specific analytic work during the period in the following areas:</p> <p>Payroll</p> <ul style="list-style-type: none"> <li>Assurances gained around leaver overpayments; set review dates for honoraria and acting up; set end dates for temporary and fixed contracts of employment; and duplicate bank details across multiple employee records.</li> </ul> <p>Council Tax</p> <ul style="list-style-type: none"> <li>Confirmation that annual bills and any subsequent adjustments have been charged at the correct rates.</li> </ul> <p>CIS (Adult Social Care)</p> <ul style="list-style-type: none"> <li>Assurances gained over placements cost being paid at the agreed rates.</li> </ul> <p>Treasury management</p> <ul style="list-style-type: none"> <li>Verification that treasury transactions and interest payments/receipts are accurate and correctly processed.</li> </ul> <p>Sundry Income</p> <ul style="list-style-type: none"> <li>Analytic review to provide assurance on year-on-year billing amounts.</li> </ul>	The work contributes to a range of assurances including financial management and anti-fraud and corruption.



Audit Work Completed	Details	Work Completed This Period	Assurance Themes
Children and Families – Families First Grant Validation	Grant claim validation work carried out to support the Directorate.	We were able to confirm the validity of the claim.	The work contributes to assurances in respect of financial management and governance.
General audit queries and advice issued	Over the course of the recent period, we have received and responded to a number of queries and requests for advice from departments and service areas. These have covered a range of themes and areas, with a significant number relating to financial controls and decisions in schools.	The dialogue with service areas demonstrates how respected and valued the Internal Audit service is. It also provides a level of procedural oversight and a source of intelligence to feed into the audit planning process.	The work contributes to assurance in a range of areas, in particular governance and decision making and financial control.

- 4.6 During this period, we have also undertaken a number of reviews for external clients which are not included within this report.
- 4.7 During the reporting period, there have been no limitations to the scope, and nothing has arisen to compromise our independence.

#### Limited or No Assurance Opinions and Follow Ups

- 4.8 Of the audit reviews finalised during the period, no weaknesses have been identified that would result in “major” organisational impact and no reviews have been issued with no assurance opinions.
- 4.9 Our protocols specify that we undertake a follow up review where we have previously reported “limited” or “no” assurance for the audited area. No follow up reviews have been issued in this period.

## 5 Recommendation Tracking

- 5.1 There is a process in place aimed at tracking the implementation of high and medium priority recommendations raised within our audit reports. This work is key to helping us understand where controls have been strengthened following our audits and also highlighting areas where we may want to re-visit the activity to ensure actions are being progressed appropriately. Currently all audits that receive a no or limited assurance opinion either overall or for a particular objective are subject to a

further audit review, which includes reviewing the progress in implementing the recommendations raised within the previous report.

5.2 The table below details the number of high and medium priority recommendations that were outstanding from the previous reporting period that ran to the end of December 2023. The table provides details of the number that have been closed during the current period (1<sup>st</sup> January 2024 to 31<sup>st</sup> March 2024) along with the number that have been raised during the period. These leaves us with the total number of recommendations ongoing to be carried forward into future periods.

Priority	All Outstanding Recs at December 2023	Recs closed to March 2024	Recs opened January to March 2024	Total at March 2024
High	55	15	6	46
Medium	13	4	7	16
<b>Total</b>	<b>68</b>	<b>19</b>	<b>13</b>	<b>62</b>

5.3 Members have requested indicative information on how long recommendations had been overdue. The table below shows a breakdown of open recommendations by Directorate and age.

Assurance Block	Open Actions not due			Actions where target date has been missed by:												Total Open Recommendations At 31 <sup>st</sup> March 2023			
				Less than 3 months			3 to 6 months			6 – 12 months			More than 12 months						
	High	Medium	Total	High	Medium	Total	High	Medium	Total	High	Medium	Total	High	Medium	Total	High	Medium	Total	
Children & Families	8	4	12	0	0	0	0	0	0	0	0	0	0	0	0	0	8	4	12
Procurement	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Adults & Health	0	0	0	0	0	0	1	0	1	6	0	6	0	0	0	0	7	0	7

Assurance Block	Open Actions not due			Actions where target date has been missed by:												Total Open Recommendations At 31 <sup>st</sup> March 2023		
				Less than 3 months			3 to 6 months			6 – 12 months			More than 12 months					
	High	Medium	Total	High	Medium	Total	High	Medium	Total	High	Medium	Total	High	Medium	Total	High	Medium	Total
Communities, Housing & Environment	4	1	5	0	0	0	0	0	0	0	0	0	0	0	0	4	1	5
City Development	2	5	7	2	0	2	0	0	0	0	0	0	0	0	0	4	5	9
ICT and Information Governance	1	0	1	3	1	4	0	0	0	0	0	0	0	0	0	4	1	5
Finance & Key Financial Systems	5	3	8	0	0	0	0	0	0	0	0	0	0	0	0	5	3	8
Resources	5	1	6	6	1	7	0	0	0	0	0	0	0	0	0	11	2	13
Schools	0	0	0	0	0	0	1	0	1	1	0	1	0	0	0	2	0	2
<b>Total</b>	<b>26</b>	<b>14</b>	<b>40</b>	<b>11</b>	<b>2</b>	<b>13</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>16</b>	<b>62</b>

- 5.4 We have reviewed the recommendations where the target date has been missed to determine if there are any themes that may have led to the delays in implementation. This is elaborated on in paragraph 5.6 below.
- 5.5 Part of the process of updating the recommendation trackers includes determining whether the target dates that were set when the reports were issued are still achievable or whether they may require revision. This is particularly relevant where it is clear that progress is being made, but there are evident reasons why an action cannot practically be completed yet. No target dates have been revised during this period.
- 5.6 For all of the 9 recommendations where the target date has been missed by more than three months, management within the service area have confirmed that the implementation of these is being progressed but still pending final completion of the

actions in totality. 5 of these are contained within areas of activity where we are carrying out follow up reviews. Upon completion of a follow up review we will reflect on the progress made and, where appropriate, agree an updated action plan to address the issues identified. The primary root cause behind the overdue recommendations centres around limitations in the available resource to fully complete the associated actions. We appreciate that balancing resources and conflicting priorities is a challenge for all colleagues across the organisation, and the recommendation tracking process helps keep actions in focus where they need to be.

5.7 The onus continues to be on directorate and service leads to update the trackers and ensure we have accurate information to analyse and report on. We continue to embed the process effectively and are proactively obtaining feedback to use this in the ongoing development of the tracking process. As directorate engagement improves, we will be introducing a sample checking process moving forward.

**6 Other Audit Activities**

Audit Activity	Description
Client Liaison Activities	Provision of professional advice to officers, including client liaison activities that promote the work of Internal Audit, and to reinforce the importance of robust controls and good governance.
Board, committee and working group attendance	Attendance at various boards, committees and working groups including Directorate and Service Leadership Teams. Key boards, committees and working groups are noted in the other audit work table above.
Corporate Governance and Audit Committee support	Drafting reports and attending meetings of the Corporate Governance and Audit Committee. Responding to member queries.
Audit and Risk Updates	Regular meetings between the Head of Audit and the Intelligence and Policy Service to share information around a number of areas that contribute to the risk management process.

**7 Counter Fraud and Investigations**

7.1 Appendix C of this report summarises the general activities and work plan of the Internal Audit Counter Fraud Team, including both proactive work and fraud and irregularity investigations undertaken.