



Report of the Chief Officer (Financial Services)

Report to Corporate Governance and Audit Committee

Date: 16 March 2020

Subject: Internal Audit Plan 2020-21

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements.
- The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The standards also refer to the need for a risk-based plan to take into account the requirement to produce an annual internal audit opinion which includes input from management and the Corporate Governance and Audit Committee. Standard 2020 requires that internal audit plans are communicated to senior management and the Committee for review and approval.
- The Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the Council's arrangements relating to internal audit requirements and specifically, reviewing and approving the risk-based plan and any additional significant work.
- This report provides Members with the proposed Internal Audit Plan for 2020-21

2. Best Council Plan Implications

- 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 Best Council Plan objectives.

3. Resource Implications

- A risk-based approach has been used to devise an Internal Audit plan that promotes the effective and efficient use of resources across the organisation.

Recommendations

- a) The Corporate Governance and Audit Committee is asked to review and approve the proposed Internal Audit Plan for 2020-21.

1. Purpose of this report

- 1.1 The purpose of this report is to present the proposed Internal Audit Plan for 2020-21 to the Corporate Governance and Audit Committee for review and approval. This report also includes a summary of the basis for the plan. The plan has been developed in consultation with senior management.

2. Background information

- 2.1 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) set out the standards for internal audit and apply to all public sector internal audit service providers. They include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the Corporate Governance and Audit Committee. Standard 2020 requires that internal audit plans are communicated to senior management and the Committee for review and approval.
- 2.3 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.

3. Main issues

3.1 Background

- 3.1.1 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 achieving the Council's objectives.
- 3.1.2 Internal audit also supports the Chief Officer (Financial Services) in discharging her statutory duties. The following are two key pieces of legislation that internal audit supports the Chief Officer (Financial Services) to comply with:
- Section 151 of the Local Government Act 1972. The Chief Officer (Financial Services), as the Council's Section 151 Officer, is responsible under the Local Government Act 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.
 - The Accounts and Audit Regulations 2015. The regulations state that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 3.1.3 The PSIAS set out the standards for internal audit and include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'. Within Leeds City Council, the Corporate

Governance and Audit Committee fulfils the key duties of the Board laid out in the PSIAS. This report sets out the proposed plan for 2020-21.

3.2 The Planning Process

- 3.2.1 The PSIAS require that the Head of Internal Audit *'must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'* The standards state that the risk-based plan should take into account the requirement to produce an annual internal audit opinion and report that is used by the organisation to inform its 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. To support this, the risk-based plan needs to include an appropriate and comprehensive range of work. There also needs to be a balance between breadth (taking a broad look at governance and risk management) and depth (drilling down into specific areas where internal audit can provide valuable insight).
- 3.2.2 The proposed plan for 2020/21 represents a marginal increase in the level of internal audit resources and, by implication, the level of audit coverage. At this stage, the plan is considered to be sufficient to enable the Head of Audit to provide appropriate assurances in support of the statutory finance officer's role, nevertheless, this will need to be monitored going forward. There will continue to be a need for greater reliance to be placed on management controls within the internal control framework and for a potentially higher level of risk to be accepted. Directorate Leadership Teams must have appropriate arrangements in place to ensure that they have assurance on key risk areas and that the risk management process supports and enables the delivery of objectives. Internal audit resource will need to be focused on the most significant risk areas and on the robustness of financial control.
- 3.2.3 In line with the PSIAS the proposed audit plan has been devised adopting a risk based approach using the following sources:
- the Council's risk management processes and the corporate and directorate risk registers;
 - the results of previous internal audit work and our ongoing assessment of the auditable entities within the authority;
 - planned work deferred from 2019-20;
 - awareness of relevant local and national issues;
 - consultation with Corporate Governance and Audit Committee, the Council's Section 151 Officer, the Monitoring Officer, the Corporate Leadership Team and other senior management and colleagues from across the organisation; and
 - regular dialogue with the core cities and authorities within South and West Yorkshire helps to ensure that we are aware of emerging risks within other Councils so that they can be considered during audit planning.
- 3.2.4 The outputs from the planning process have been prioritised to produce a plan that balances the following:
- the requirement to give an objective and evidenced based opinion on aspects of governance, risk management and internal control;
 - the time required for anti-fraud and corruption activity
 - the requirement for internal audit to add value through improving controls, streamlining processes and supporting corporate priorities;

- the need to retain a contingency element to remain responsive to emerging risks, including areas put forward by the new Head of Audit; and
- the resource and skill mix available to undertake the work

3.3 Resources

- 3.3.1 There are 16.78 FTEs in the Internal Audit team (16.14 FTEs for 2019-20). The number of days allocated in the plan to specifically provide the Head of Internal Audit with the evidence for the opinion on the control environment is 2,205 days (2,122 days for 2019-20). The level of resources required to provide internal audit services to external clients is 126 days (127 days for 2019-20). The total Internal Audit Plan for 2020-21 is therefore 2,331 days (in 2019-20 it was 2,249 days).
- 3.3.2 Productive audit days have increased marginally from the level in place for 2019-20. We will continue to develop our use of modern audit techniques to ensure that we deliver the audit coverage as efficiently and effectively as possible. In the opinion of the Head of Audit, the resources that are currently available are sufficient to perform the work necessary to deliver the annual internal audit opinion and report that is used by the organisation to inform its governance statement. Sufficient time has also been set aside for the management, development and training of team members, and to support their health and wellbeing.
- 3.3.3 Other Local Authorities are currently in the process of agreeing audit plans and budgets for the coming year, and as such benchmarking data around planned activity for 2020-21 is not yet available. The latest benchmarking data relating to planned audit activity during 2019-20 indicates that Leeds sit just above the core cities average for net audit days available based upon the returns provided. This needs to be taken within the context of structural differences in the way that internal audit functions are organised, and work is ongoing with the core cities to establish a consistent basis for comparison. Further information will be reported to the Committee when this becomes available.

3.4 Internal Audit Plan 2020-21

- 3.4.1 Appendix A provides a breakdown of the individual audits that are proposed for inclusion within the audit plan for 2020-21. The work is grouped at directorate level or functional area to align with risk registers and accountabilities. An overview of the assurance that each audit aims to achieve is provided together with an estimate of the audit resource that will be required to complete the review.
- 3.4.2 The plan is designed to be responsive in nature and all efforts will be made to maximise coverage to provide an effective internal audit service that focuses on those key issues facing the organisation throughout the year.
- 3.4.3 Members were consulted ahead of drafting the plan. Progress against the plan will be monitored throughout the year, and key issues arising will continue to be reported to the Corporate Governance and Audit Committee.

3.4.4 Table 1: Comparison with Internal Audit Plan 2019-20

Assurance Block	Days in 2020/21 Plan	Days in 2019/20 Plan	% Change
Anti-Fraud and Corruption	300	290	3%
Grants / Head of Audit Assurances	107	107	-
Data analytics	80	100	-20%
ICT and Information Governance	200	150	33%
Key Financial Systems	391	364	7%
Procurement	150	175	-14%
Directorate risks	800	735	9%
Schools	77	50	54%
Follow up and General Contingency	100	151	-34%
Total Assurance Days	2,205	2,122	4%
Other			
External Contracts	126	127	
Total Other	126	127	
Total Days	2,331	2,249	

4 Corporate considerations

4.1 Consultation and engagement

4.1.1 This report did not highlight any consultation and engagement considerations.

4.2 Equality and diversity / cohesion and integration

4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and the Best Council Plan

4.3.1 The Terms of Reference of the Corporate Governance and Audit Committee require the Committee to review the adequacy of the Council's corporate governance arrangements (including matters such as internal control and risk management). They also require the Committee to consider the Council's arrangements relating to internal audit requirements including reviewing and approving the risk-based plan and any additional significant work.

4.3.2 The Council's Financial Regulations require that an effective internal audit service is provided in line with legislation and the appropriate audit standards to help the organisation accomplish its objectives.

4.3.3 The Internal Audit Plan has links to risks that may affect the achievement of Best Council Plan objectives and the aims of council policies.

Climate Emergency

- 4.3.4 The plan includes a review of the governance arrangements in place to support the implementation of the Waste Strategy, central to which is the aim to manage waste sustainably and reduce carbon emissions. The proposed audit of Social Value will also look at how environmental benefits are considered and monitored throughout the procurement process. Internal Audit will ensure that the Climate Emergency is considered in the scope of all relevant audits.

4.4 Resources, procurement and value for money

- 4.4.1 The Internal Audit Plan includes a number of reviews that evaluate the effectiveness of financial governance, risk management and internal control arrangements, including coverage of procurement activity.
- 4.4.2 In relation to resources and value for money, the Internal Audit Plan includes a number of reviews that are aligned with the Council's value of spending money wisely.
- 4.4.3 The Internal Audit Quality Assurance and Improvement Programme and service development work that is reported to the Committee demonstrates a commitment to continuous improvement in respect of efficiency and effectiveness.

4.5 Legal implications, access to information, and call-in

- 4.5.1 None.

4.6 Risk management

- 4.6.1 The Internal Audit Plan has been and will continue to be subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.
- 4.6.2 The risks relating to the achievement of the Internal Audit Plan are managed through ongoing monitoring of performance and resource levels. This information will continue to be reported to the Committee.

5 Conclusions

- 5.1 The proposed Internal Audit Plan for 2020-21 has been prepared in line with the PSIAS. A risk-based approach has been used to prioritise internal audit work and ensure that there is sufficient coverage and internal audit resource to provide an evidence-based assurance opinion that concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 5.2 The plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective internal audit service that focuses on those key risks facing the organisation throughout the year.
- 5.3 Progress against the plan will be monitored throughout the year and key issues will continue to be reported to the Corporate Governance and Audit Committee

6 Recommendations

6.1 The Corporate Governance and Audit Committee is asked to review and approve the proposed Internal Audit Plan for 2020-21.

7 Background documents

7.1 None.

Appendix A – Internal Audit Plan 2020/21

Audit Area	Overview of Assurance	Audit Days
Anti-Fraud and Corruption		
Whistleblowing Hotline and Reactive Work	Risk assessment and investigation of allegations and referrals.	150
Anti-Fraud and Corruption Proactive Work	Risk-based work to prevent and detect fraud.	135
Anti-Fraud and Corruption Policy Update	Update of anti-fraud and corruption policies.	15
		300
Grants and Head of Audit Assurances		
Local Transport Capital Block Funding	Independent examination of accounts and / or assurance that the grant claim has been spent in accordance with the grant determination.	9
West Yorkshire Plus Transport Fund		5
Cycle City Ambition Grant		15
Pot Holes Grant		5
National Productivity Investment Funds		11
Leeds Public Transport Investment Programme		5
Additional Highways Maintenance Grant		5
Bus Subsidy Ring Fenced Grant		2
West Yorkshire Combined Authority Treasury Management Assurance		2
Families First Earned Autonomy		15
Disabled Facilities Grant		5

Audit Area	Overview of Assurance	Audit Days
Blue Badge Grant		5
Schools Central Financial Controls		15
Pensions Contributions		8
		107
Data Analytics		
Data Analytics	Evaluation of control effectiveness across key systems on a routine basis, highlighting and reviewing high risk events or transactions.	80
		80
ICT and Information Governance		
Asset Management and Security	To provide assurance that there are appropriate controls in place to ensure assets are securely and effectively managed.	40
Internal Software Development	To provide assurance that there are appropriate controls in place for the development of software internally.	25
Privileged User Access Follow Up	To review the progress made in implementing the recommendations made in the 2019/20 audit.	10
Data Centre Management	A review of the controls in place to ensure effective risk management in relation to the council's data centre management including physical and technical controls.	25
Database Management	Review of the controls in place to ensure effective DBA and prevent and identify misuse of database admin access.	25
Data Protection Impact Assessment	To provide assurance that there are appropriate controls in place to ensure that Data Protection Impact Assessments are completed where required.	25
Business Applications	Individual reviews of the key computer applications looking at system access	15

Audit Area	Overview of Assurance	Audit Days
	and administration, input, processing and output controls.	
Information Governance Policy Reviews	To provide support to the business in the development of the new Information Governance Policies.	10
ICT Projects	To review the arrangements in place for the management of ICT projects.	25
		200
Key Financial Systems		
Benefits Reconciliations	A review of the reconciliation processes between Orchard, Academy and FMS for Housing Benefit and Council Tax Support.	9
Benefits: Assessment and Payments	To gain assurance over the processes and performance within the Benefits Assessment Unit, including ensuring that Housing Benefit and Council Tax Support payments are accurately processed and paid.	27
Council Tax	To gain assurance over the Council Tax processes for billing, income collection, recovery action, refunds and write offs.	40
Business Rates	To gain assurance over the business rates processes for billing, income collection, recovery action, refunds and write offs.	27
Capital Programme Central Controls	To gain assurance that expenditure in the capital programme is appropriately approved, controlled and monitored and that the accounting system provides accurate and timely information.	18
Financial Management Central Controls	To provide assurance over the central budget setting and budget monitoring arrangements.	9
Treasury Management and Bankline	To provide assurance that treasury management transactions are authorised, correct, appropriately recorded and reported, and are in line with relevant strategies and guidelines.	23
Housing Rents	To gain assurance over the housing rents processes for charging, income collection, amendments and write offs.	40

Audit Area	Overview of Assurance	Audit Days
Sundry Income Central Controls	To provide assurance over the central management of income collection for sundry charges raised within the Council, including recovery procedures and write offs.	18
Sundry Income Directorate Reviews	To provide assurance that all income is identified and requests for sundry income accounts are promptly and accurately raised for a sample of service areas.	20
Income Management System	To provide assurance over the systems that ensure all sources of income have been identified and accurately processed through the Income Management System.	20
Payroll Central Controls	To provide assurance over the integrity of central payroll functions, including the accuracy of payments made and the authorisation and processing of new starters and leavers.	50
FMS Creditor Purchase and Payment; Central and Directorate Processes	A review of the system through which orders are raised and payments are made to suppliers for goods and services.	40
Central Purchasing Card Controls	To provide assurance over the central purchasing card functions performed by the Central Payment Services Purchasing Card Management Unit.	10
Bank Reconciliation and Cash Book	The audit assesses the accuracy and timeliness of the reconciliations performed on the cashbook and the authority's main accounts.	20
Total Repairs	To provide assurance that there are adequate systems in place to ensure that payments made through the Total Repairs system are made to the correct creditor for goods / services which have been provided to the Council and that the payments are accurately recorded within the Council's accounting system.	20
		391
Procurement		
Contract Management	Individual reviews of contract management arrangements on a sample of contracts to gain assurance that they are being managed to deliver their intended outcomes, incorporating a review of contract extensions and open book	100

Audit Area	Overview of Assurance	Audit Days
	review where necessary.	
Social Value	To review the arrangements in place to ensure that social value outcomes are appropriately considered and delivered through procurement.	30
Emerging Procurement Risks	Time reserved to respond to emerging procurement risks throughout the year.	20
		150
Directorate Risks - Adult Social Care and Health		
Customer Information System (CIS) Payments	<p>To provide assurance that payments are only made in relation to people with an assessed need, have been correctly processed and are net of any client contribution. The review will also provide assurance on the adequacy of controls for identifying changes in circumstances.</p> <p>The review will cover all payments made through CIS for Residential and Nursing Care, Direct Payments and Homecare payments.</p>	30
Financial Assessments	To provide assurance that all eligible customers in receipt of reviewable services have been financially assessed as appropriate, that assessments have been correctly calculated and that all income due has been collected.	25
Recovery Service	To review the Recovery Hubs and ensure that there are adequate controls in place in terms of care received, safeguarding and safeguarding clients' personal assets.	20
Nursing and Residential Homecare Payments	To provide assurance that the revised processes for paying residential and nursing care providers are operating as intended.	20
Public Health Priorities – Healthy Weight Declaration	To review progress against the agreed priorities and provide assurance on the extent to which the work being carried out is delivering the outcomes of both the Healthy Weight Declaration and the Best Council Plan.	25
Continuing Health Care	To provide assurance that controls are in place to ensure all income is being received in relation to Continuing Health Care.	25
		145

Audit Area	Overview of Assurance	Audit Days
Directorate Risks - Children and Families		
One Adoption West Yorkshire – Decision Making	To provide assurance that there are appropriate governance arrangements in place with regard to decision making for the organisation and that outcomes of the decisions are appropriately monitored and reported.	25
Children’s Centres – Little Owls Service	To provide assurance that there are arrangements in place to monitor performance against expected outcomes for the service, including financial outcomes, and that action is taken where issues are identified.	25
Special Educational Needs Out of Area Placements	To provide assurance that there are appropriate systems in place for assessing and approving the need for making out of area placements, ensuring that payments are accurate and that performance in relation to this is appropriately monitored.	20
Support for Care Leavers	To provide assurance that there are processes in place for the identification and assessment of support needs for care leavers.	20
School Attainment	To provide assurance that there are mechanisms in place to monitor school attainment for all children and that appropriate action is taken where issues are identified.	20
Safeguarding	To provide assurance that the new requirements for improved partnerships set out in the Working Together to Safeguard Children 2018 have been effectively implemented.	20
		130
Directorate Risks - Housing		
Major Adaptations	To review the process in place to ensure major adaptations completed for both council and private houses are appropriate, completed to the required quality and timescale, and provide value for money.	25
Complaints Handling Process	A review of the processes in place for dealing with customer complaints, including ensuring root causes are identified and action taken on lessons learned.	30

Audit Area	Overview of Assurance	Audit Days
Leaseholders	To review the process in place to manage leaseholder arrangements.	25
Private Sector Regulation – Selective Licensing	A review of the processes in place for ensuring that properties subject to selective licensing are licenced and inspected as appropriate.	25
Housing Disrepair	To assess the extent to which the Authority manages claims received in line with established best practice, ensuring that appropriate consideration has been given to the council's responsibilities in line with the Fitness for Human Habitation Act.	35
BITMO Assurances	To provide support to Housing Partnerships in the management of the BITMO Assurance Framework.	20
Leeds Building Services Assurances	Time set aside to provide assurance that key risks relating to Leeds Building Services are appropriately managed. Outline of specific assurance to be confirmed.	40
Housing Leeds In-Year Follow Up Work and Contingency	To undertake follow up work as required during the year and respond to emerging risks within Housing Leeds.	50
		250
Other Directorate Risks		
Application of HR Policies	To gain assurance that a sample of HR policies are consistently and properly applied across the authority.	20
Civic Enterprise Leeds	Time set aside to provide assurance that key risks relating to Civic Enterprise Leeds are appropriately managed. Outline of specific assurance to be confirmed.	20
Invest to Save – Benefits Realisation Follow Up	To review the progress made in implementing the recommendations made in the 2019/20 audit.	15
Medium Term Financial Strategy Assurances	To review and provide assurance on the work being undertaken to ensure strategic planning and prioritisation of the council's resources.	40
Service Review Programme	Time set aside to contribute to the ongoing review of service delivery	50

Audit Area	Overview of Assurance	Audit Days
	arrangements being undertaken through the Medium Term Financial Strategy.	
High Value Stock Management	To review the processes in place to ensure the secure management of high value stock items. Directorates and services to be sampled on a cyclical basis.	20
Programme of Unannounced Visits	Individual establishment visits to provide assurance on cash handling arrangements including safeguarding of service user monies where applicable.	10
Waste Strategy	To gain assurance that governance arrangements are in place to support the implementation of the Waste Strategy.	25
Taxi Service	To gain assurance that licenses are issued correctly and complaints are investigated appropriately. This includes reviewing compliance with the Suitability Policy to ensure drivers licenses are approved in accordance with new criteria.	25
Leeds Cultural Trust	To provide assurance on the governance arrangements in place for the Leeds Cultural Trust.	25
City Development Assurances	Time set aside to provide assurance that key risks relating to City Development are appropriately managed. Outline of specific assurance to be confirmed.	25
		275
Schools		
Schools Audits	Individual audits of LCC maintained schools undertaken on a risk basis and audits of year end school voluntary fund accounts.	50
School Follow Up Audits	To follow up on limited assurance opinions issued within 2019/20.	27
		77
Follow Up and General Contingency		
Follow Up and General Contingency	Time set aside for new emerging risks, unplanned work and to complete individual follow up audits of areas that have been given a low assurance audit opinion arising during the year.	100

Audit Area	Overview of Assurance	Audit Days
		100
Total Assurance Days		2,205