

Appendix A - Internal Audit Quarterly Update – February to April 2021

1. Introduction

- 1.1 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.
- 1.2 The reports issued by Internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
- 1.3 The reports issued by Internal Audit are directed by the 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.
- 1.4 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.
- 1.5 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.
- 1.6 Our protocols specify that we undertake a follow up review where we have previously reported 'limited' or 'no' assurance for the audited area. Our audit reports include an assurance opinion for each objective reviewed within the audited area. Follow up audits are undertaken for those areas where a specific objective within the review resulted in limited or no assurance in addition to those where the limited or no assurance opinion was provided for the review overall.

2. Audit Reports Issued

- 2.1 Table 1 below includes the title of the audit reports issued between February and April 2021, including the level of assurance provided. This relates to reviews carried out under the reprioritised 2020/21 Internal Audit Annual Plan.

Table 1: Summary of Reports Issued February to April 2021

Report Title	Audit Opinion		
	Control Environment Assurance	Compliance Assurance	Organisational Impact
Key Financial Systems			
Housing Rents	Substantial	N/A	Minor
Resources			
Application of HR Policies (Impact of COVID-19)	Substantial	N/A	Minor
Anti-Money Laundering arrangements for the Revolving Investment Fund	Good	N/A	Minor
Schools			
Primary School Audit 1	Good	Acceptable	N/A
Primary School Audit 2	Substantial	Good	N/A
Primary School Follow Up 1	Substantial	Good	N/A
Primary School Follow Up 2	Acceptable	Acceptable	N/A
School Voluntary Fund audits x 3	N/A certification of account balances		

2.2 In addition to the reports detailed in table 1 above, we completed a certification of the Emergency Active Travel Fund Capital Grant (Tranche 1) during the period. Our work confirms we are satisfied that the expenditure incurred is in line with the specific funding requirements, provides evidence that the grant terms are met and reduces the risk of clawback.

2.3 The audit work undertaken in all grant claim reviews includes verification of the figures being declared to the relevant funding bodies to the financial accounting system, sample testing of expenditure to ensure that this is in accordance with the grant determination letter, and on a sample basis that the relevant internal approvals have been sought and decisions taken.

2020/21 Internal Audit Plan

2.4 During the reporting period, there have been no limitations in scope and nothing has arisen to compromise our independence. We have finalised 10 audit reviews (excluding data analytics, work for external clients and fraud and irregularity work) and we have not identified any issues that would necessitate direct intervention by the Corporate Governance and Audit Committee.

2.5 The Housing Rents audit received a substantial assurance opinion for the control environment. This provides the Committee with assurance that this key financial system is well established and operating as intended.

- 2.6 Of the audit reviews finalised during the period, no weaknesses have been identified that would result in a 'major' organisational impact and, with the exception of the audit detailed at 2.8 below, no audits have resulted in a limited or no assurance opinion for any of the objectives assessed.

Follow Up Audits

- 2.7 During the period we completed two primary school follow up audits. The first of these was carried out after previous reviews had identified weaknesses relating to the management of the school voluntary fund. Upon revisiting the area, we are satisfied that significant progress has been made in implementing our recommendations and as such we have been able to raise our opinion to provide substantial assurance for the control environment, and good assurance for compliance with the controls in place.
- 2.8 The second of our primary school follow up audits was undertaken after a 2019/20 review identified several issues with the financial controls. Generally satisfactory progress has been made against the recommendations relating to payroll, creditor purchases and payments and the management of the school voluntary fund. This has enabled us to provide an overall opinion of acceptable assurance. However, changes in personnel at the school have meant we were unable to gather all of the required evidence to support the collection and accounting of income. As such, we were unable to fully audit this area, and the opinion remained as limited assurance for this specific objective. The fieldwork for the audit was completed during the outbreak of COVID-19 which we appreciate has had a far reaching impact on the school, and it is anticipated that we will follow up on the collection and accounting of income through the 2021/22 audit plan.

Other Internal Audit Work

- 2.9 We continue to support the council's Core Business Transformation Programme by providing advice, input and oversight across a number of important work streams. A significant portion of our data analytics portfolio has also been directed towards aiding the development of financial dashboards. The dashboards are now being rolled out across the authority and are key to the transformation of the financial service, providing dynamic and interactive analysis to budget holders and decision makers. Our work in this area demonstrates the adaptability of the team in supporting the ongoing achievement of the council's ambitions alongside our programme of assurance work. We will continue to support the Core Business Transformation Programme over the coming year.

Internal Audit Performance

Feedback

- 2.10 We actively monitor our performance in a number of areas and encourage feedback. A customer satisfaction questionnaire (CSQ) is issued with every audit report. The questionnaires ask for the auditee's opinion on a range of issues and asks for an assessment ranging from 5 (for excellent) to 1 (for poor). The results are presented as an average of the scores received for each question.
- 2.11 The results of the questionnaires are reported to the Audit Leadership Team and used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff.

2.12 For the period from 1 February to 30 April 2021 we have issued a total of 9 Customer Satisfaction Questionnaires and received 7 completed returns at a response rate of 78% in the period. A summary of the scores is presented in table 2.

Table 2: Results from Customer Satisfaction Questionnaires for the period 1 February to 30 April 2021.

Question	Average Score (out of 5)	Max Value	Min Value
Sufficient notice was given	5.00	5.00	5.00
Level of consultation on scope	5.00	5.00	5.00
Auditor's understanding of systems	4.43	5.00	3.00
Audit was undertaken efficiently	4.57	5.00	3.00
Level of consultation during the audit	4.86	5.00	4.00
Audit carried out professionally and objectively	5.00	5.00	5.00
Accuracy of draft report	4.86	5.00	4.00
Opportunity to comment on audit findings	4.86	5.00	4.00
Clarity and conciseness of final report	4.86	5.00	4.00
Prompt issue of final report	4.86	5.00	4.00
Audit recommendations will improve control	4.71	5.00	4.00
The audit was constructive and added value	4.71	5.00	4.00
Overall Average Score	4.81		

Output

2.13 A summarised version of the reprioritised 2020/21 Audit Plan is included at Table 3 at the foot of this report to provide members with an overview of the objective of each review, along with the current status. This also includes audits that have been carried forward into the current year from the 2019/20 Audit Plan. Planned audits are those that are anticipated to be completed for inclusion within the Head of Internal Audit Report and Opinion.

2.14 We continue to manage our available resources to direct these towards the highest areas of risk to ensure that an evidence based Head of Internal Audit opinion can be provided on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in accordance with the Public Sector Internal Audit Standards (PSIAS).

3. Conclusions

3.1 There are no issues identified by Internal Audit in the February to April 2021 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

Table 3 – Status of Planned Audits from the 2020/21 Audit Plan and Follow Up Reviews

Audit Area	Overview of Assurance	Status / CGAC Meeting
Grants and Head of Audit Assurances		
Grants and Head of Audit Assurances arising during the year	Independent examination of accounts and / or assurance that the grant claim has been spent in accordance with the grant determination.	Reported September 2020, December 2020, March 2021 and June 2021
ICT and Information Governance		
Community Cloud (2019/20)	To provide assurance that the Community Cloud project is being managed to deliver its intended outcomes.	In progress
Asset Management and Security	To provide assurance that there are appropriate controls in place to ensure assets are securely and effectively managed.	In progress
Privileged User Access Follow Up	To review the progress made in implementing the recommendations made in the 2019/20 audit.	In progress with further work planned in 2021/22
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.	In progress
ICT Projects	To review the arrangements in place for the management of ICT projects.	In progress
Key Financial Systems		
Key Financial Systems	To provide assurance that appropriate internal controls are in place and operating	Reported March 2021, June 2021 and ongoing

Audit Area	Overview of Assurance	Status / CGAC Meeting
Procurement		
Contract Specification and Management Follow Up (2019/20)	To review progress in implementing the recommendations made in the previous audit, as reported to the Corporate Governance and Audit Committee at the November 2018 meeting.	In progress
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 review where necessary.	In progress
Social Value	To review the arrangements in place to ensure that social value outcomes are appropriately considered and delivered through procurement.	In progress
Directorate Risks - Adult Social Care and Health		
Customer Information System (CIS) Payments	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. The review will cover all payments made through CIS for Residential and Nursing Care, Direct Payments and Homecare payments.	In progress
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.	Reported March 2021
Nursing and Residential Care Home Payments	To provide assurance that the revised processes for paying residential and nursing care providers are operating as intended.	In progress
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.	In progress

Audit Area	Overview of Assurance	Status / CGAC Meeting
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.	Adjustment to plan - to be considered for future audit coverage (including incorporation within Budget Action Plan reviews) after disruption to the service due to COVID
No Recourse to Public Funds	To provide assurance that the Council is only supporting those Children & Families who are eligible for support and that the payments being made are in line with legislation and guidance.	In progress
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.	In progress
Schools		
Schools Audits	Individual audits of LCC maintained schools undertaken on a risk basis and audits of year end school voluntary fund accounts.	Reported March 2021 and June 2021
School Follow Up Audits	To follow up on limited assurance opinions issued within 2019/20.	Reported September 2020, March 2021 and June 2021
Directorate Risks – Housing		
Lettings Enforcement follow-up and new system review (2019/20)	The review will follow up on the recommendations which remain outstanding since the September 2018 follow-up review. Additional work will also be undertaken on the implementation of the new system and the roll out of the revised lettings policy.	Reported March 2021
Council Housing Growth (2019/20)	To review the procurement strategy and provide assurance over the achievement of intended outcomes.	Reported March 2021

Audit Area	Overview of Assurance	Status / CGAC Meeting
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.	Reported March 2021
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.	In progress
Leaseholders	To review the process in place to manage leaseholder arrangements.	In progress
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.	Adjustment to plan – Disabled Facilities Grant being brought forward and these reviews included in 2021/22 audit plan having been postponed due to COVID and resourcing issues
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.	
Disabled Facilities Grant	To complete a review enabling sign off of the annual Disabled Facilities Grant claim	In progress
Fire Safety	To provide assurance over the controls in place to mitigate the risk of fire in Council properties.	Reported March 2021
BITMO Assurances	To provide support to Housing Partnerships in the management of the BITMO Assurance Framework.	In progress
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.	In progress
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.	In progress
Other Directorate Risks		

Audit Area	Overview of Assurance	Status / CGAC Meeting
Application of HR Policies	To gain assurance that a sample of HR policies are consistently and properly applied across the authority.	Reported June 2021
Invest to Save – Benefits Realisation Follow Up	To review the progress made in implementing the recommendations made in the 2019/20 audit.	In progress
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.	In progress
Service Review Programme	Time set aside to contribute to the ongoing review of service delivery arrangements being undertaken through the Medium Term Financial Strategy.	In progress
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.	In progress
Waste Strategy	To gain assurance that governance arrangements are in place to support the implementation of the Waste Strategy.	Adjustment to plan - included in 2021/22 audit plan following postponement due to COVID impact
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.	In progress
Leeds Cultural Trust	To provide assurance on the governance arrangements in place for the Leeds Cultural Trust.	Adjustment to plan – future coverage to be considered in alignment with programme delivery

Audit Area	Overview of Assurance	Status / CGAC Meeting
Strategic Investment Fund Acquisitions	To review the directorate's approach to, and governance of the Strategic Investment Fund. The audit will aim to provide assurance that there are appropriate controls over the acquisitions and management and that strategic investment fund plans are adequately scrutinised, approved and align with Council plans and wider best practice.	In progress and to be reported alongside 2021/22 audit work