

## Internal Audit Annual Report and Opinion 2020/21

Date: 26<sup>th</sup> November 2021

Report of: Head of Audit

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

### What is this report about?

#### Including how it contributes to the city's and council's ambitions

- This report sets out the annual opinion of the Head of Audit and 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 May to July 2021. 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 Best Council Plan objectives.

### Recommendations

The Corporate Governance and Audit Committee is asked to receive the Annual Internal Audit Report and Opinion for 2020/21 and note the opinion given. In particular:

- that on the basis of the audit work undertaken during the 2020/21 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice
- a satisfactory overall opinion is provided for 2020/21, based on the audit work detailed within this report
- that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing

The Committee is also asked to note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

### Why is the proposal being put forward?

- 1 The purpose of this report is to bring to the attention of the Committee the annual Internal Audit opinion and basis of the Internal Audit assurance for 2020/21.

- 2 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) and to consider the Annual Internal Audit Report.
- 3 The Public Sector Internal Audit Standards (PSIAS) require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the council to inform its governance statement.
- 4 This report considers the opinion provided by the Head of Internal Audit based on the work undertaken and completed relating to 2020/21 regarding the adequacy and effectiveness of the Authority's framework of governance, risk management and control. The work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

### **What impact will this proposal have?**

#### **Wards affected:**

Have ward members been consulted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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- 5 The work of Internal Audit contributes towards 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.
- 6 The annual Internal Audit opinion is used by the council to inform its governance statement.

### **What consultation and engagement has taken place?**

- 7 The Internal Audit Plan is developed annually 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. Management are routinely engaged in providing feedback on the performance of Internal Audit, and this has been reflected in the annual report accordingly.

### **What are the resource implications?**

- 8 The work of Internal Audit evaluates the effective use of resources and provides assurance on the corresponding financial governance, risk management and internal control arrangements.
- 9 The Internal Audit Annual Report and Opinion 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 legal implications?**

- 10 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.

11 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.

12 The work of Internal Audit provides assurances around the application of the statutory and constitutional framework.

### **What are the key risks and how are they being managed?**

13 The Internal Audit Plan has been 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.

14 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 throughout the year and summarised within the annual report.

### **Does this proposal support the council's three Key Pillars?**

Inclusive Growth       Health and Wellbeing       Climate Emergency

15 The work of Internal Audit provides assurances that span a range of themes including coverage across the council's three Key Pillars.

### **Options, timescales and measuring success**

#### **What other options were considered?**

16 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?**

17 Success is measured through the delivery of the Internal Audit Annual Report and Opinion. Supporting performance measures are reported to the Committee, both within the annual report and throughout the year, and these are subject to continual review and development.

#### **What is the timetable for implementation?**

18 N/A

#### **Appendices**

19 A – Internal Audit Annual Report and Opinion 2020/21

#### **Background papers**

20 None.