



Appendix A

Leeds City Council Internal Audit Annual Report and Opinion

Corporate Governance and Audit Committee

26th November 2021

INTERNAL AUDIT ANNUAL REPORT AND OPINION 2020/21

1 The Annual Reporting Process

- 1.1 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 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 and must incorporate:
- the opinion
 - a summary of work that supports the opinion
 - a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme
- 1.2 This report is the culmination of the work performed by Internal Audit to fulfil the 2020/21 Internal Audit Plan objectives, and provides the Head of Audit opinion based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

2 Organisational Independence

- 2.1 The PSIAS require the Head of Audit to confirm to the Corporate Governance and Audit Committee at least annually, the organisational independence of the internal audit activity. The Internal Audit Charter and the council's Financial Regulations reinforce this requirement.
- 2.2 The Internal Audit Charter specifies that the Head of Audit must report to a level within the council that allows Internal Audit to fulfil its responsibilities.
- 2.3 The authority's Financial Regulations state that the Head of Audit 'must be able to report without fear or favour, in their own name to the Chief Executive, the Executive Board, the Corporate Governance and Audit Committee and the scrutiny function.'

- 2.4 Appropriate reporting and management arrangements are in place within LCC, including direct access to the Chief Executive and the Chair of the Audit Committee, which preserve the independence and objectivity of the Head of Audit.

Declaration of independence and objectivity

The reporting and management arrangements in place are appropriate to ensure the organisational independence of the Internal Audit activity. Robust arrangements are in place to ensure that any threats to objectivity are managed at the individual auditor, engagement, functional and organisational levels. Nothing has occurred during the year that has impaired my personal independence or objectivity.

Head of Audit

3 Opinion 2020/21

- 3.1 The Public Sector Internal Audit Standards (Performance Standard 2450) state that ‘*the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.*’ This must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation’s governance, operations and information systems.

Head of Audit opinion for 2020/21

On the basis of the audit work undertaken during the 2020/21 audit year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.

*We have audited several areas that have resulted in ‘Limited Assurance’ opinions and we have highlighted weaknesses that may present risk to the council. In these cases, we have made recommendations to further improve the arrangements in place. Although significant to the control environment in place for the individual system areas that have been audited, these weaknesses are not material enough to have a significant impact on the overall opinion on the adequacy of the Council’s governance, risk management and control arrangements at the year end. A **satisfactory** overall opinion is*

provided for 2020/21, based on the audit work detailed within this report. This includes a range of audits and other value-adding activities. The outcomes of the work that supports this opinion are reported to Members of the Corporate Governance and Audit Committee during the year.

It is important that senior managers remain alert to, and focused on, maintaining an appropriate, risk-based and effective framework of controls as the council looks to transform service delivery through the delivery of an ambitious Medium Term Financial Strategy.

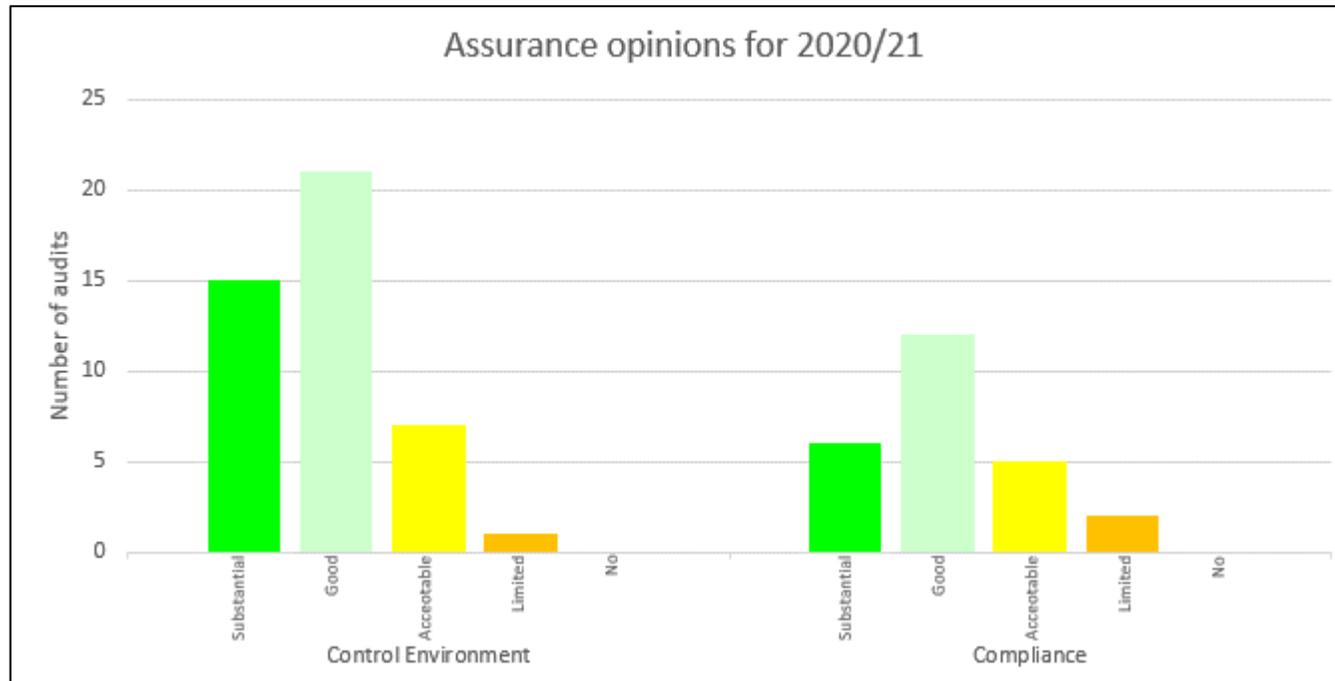
The audit work undertaken and planned for the current year has sought to take into account the change in risk appetite necessary to embrace and implement such significant change. Although the overall assurance opinion is satisfactory, it is essential that senior management retain a focus on embedding new and revised operational and governance arrangements in response to the ongoing financial challenge.

The audit 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.

4 Basis of Assurance

- 4.1 The annual opinion on the adequacy and effectiveness of the control environment for 2020/21 is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. The schedule of reviews for 2020/21 was prepared using a risk-based audit planning approach and was approved by the Corporate Governance and Audit Committee in March 2020.
- 4.2 Each piece of audit work results in an audit report that provides, where appropriate, an assurance opinion. Depending on the type of audit review undertaken, assurance opinions 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 may also be provided for the area under review if assurance on the extent to which the controls are being complied with is required. 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. 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 graph below provides a high-level overview of the assurance opinion levels provided for the audits that we have completed during the year.



Assurance Areas

Key Financial Systems

4.5 The key financial systems audits are reviews of the council's core financial functions. We review these functions to provide assurance that the financial systems that are fundamental to the council's operations remain effective and working well in practice. The Public Sector Internal Audit Standards require Internal Audit to set a risk-based plan to determine the priorities of the internal audit activity and therefore this approach has been applied to our coverage of the key financial systems audits.

- 4.6 During 2020/21 we have completed 10 key financial system audits. The impact of COVID has been considered within this work and the audit coverage has included a review of any new processes or changes to procedure that have occurred as a result. Our reviews of the key financial systems support the opinion that the council has effective financial governance, risk management and internal control arrangements in place. In addition, they also support the assertions made by the Section 151 Officer in their Annual Assurance report that is also being presented to the Corporate Governance and Audit Committee. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice.
- 4.7 In recent years, the widely publicised difficulties encountered at other authorities have served to highlight the importance of financial control and resilience. This is, and will continue to be, important for LCC as we recover from the financial impact of COVID and look to transform service delivery through an ambitious Medium Term Financial Strategy. We provided substantial assurance for the central controls in place for the setting and management of the council's budget, reflecting the fact that there is a framework in place that provides the opportunity for regular scrutiny of relevant financial information as the authority continues to adjust to the challenging financial climate. We have also played a central role in supporting the council's Core Business Transformation Programme, aiding in the development of financial dashboards which provide dynamic and interactive analysis to budget holders and decision makers.

Procurement

- 4.8 The achievement of social value outcomes through procurement has been a prominent area of focus during the last year. Our social value audit found that a range of good governance procedures have been established, including the incorporation of social value within relevant policies, training and guidance complemented by central oversight and monitoring. Alongside the use of the Social Value Portal, this provides a sound framework from which the benefits of social value can be maximised and gives assurance that the council has processes in place that will drive compliance with the Social Value Act. Moving forward, there is plenty of room to embed these processes and increase the number of contracts within which social value is incorporated, and we have agreed a number of actions that should help to realise improvement in this area.
- 4.9 Our primary piece of contract review work has focussed on the council's arrangements to procure PPE in response to the COVID pandemic, recognising the efforts to apply good procurement and contracting practices in unprecedented circumstances. Embedding consistent contract management practice continues to be a challenge across the authority, with responsibility tending to sit within the service that has been identified as the primary contract user. The challenge is very much recognised within Procurement and Commercial Services and we are working alongside the service to review and implement best practice in contract management. This work will continue into the next year.

Directorate Risks

- 4.10 We have undertaken audits that provide assurance on governance, risk management and internal control arrangements across a range of operational and directorate risk areas during the year. Our work has had links to risks relating to safeguarding, health and safety, finance, compliance with legislation and internal procedures and a range of other risks that may affect the achievement of council and directorate priorities.
- 4.11 Our audit work has provided assurances around processes that underpin the council's core values and behaviours. We have also focussed attention on high profile areas of legislative and regulatory responsibility. Our recommendations have been positively received by service areas and in some cases these were actioned during the course of the audit.

Information Governance and ICT

- 4.12 The Information Governance and ICT Plan has been reprioritised during the last year and this was reported to the committee in June 2020. This helped to make space for the council's COVID response, whilst ensuring we kept a close eye on areas of ICT security and Information Governance risk. The mitigation of these risks remains a significant priority for the authority, and assurances have been directly provided to the Committee by the Information Governance team during the year. This has included the issues relating to the council's status with the Public Services Network (PSN), including the requirement to decommission Microsoft Access 2003. The council's PSN certification has now been provided.
- 4.13 From an audit perspective, we have continued to monitor progress towards the implementation of recommendations made in our review of Privileged User Access reported in 2019/20. The Integrated Digital Service (IDS) has established a project to address the issues identified, with timescales for completion falling in 2021/22, upon which time we will formally review progress. Our audit coverage has also included a review of the governance arrangements in place for the Community Cloud Programme. The audit provided assurance that appropriate governance arrangements had been established to ensure the programme is managed to deliver its intended outcomes. However, as this project is of a complex nature, we are keeping a watching brief on this through the 2021/22 plan including regular attendance at the Programme Board.

Data Analytics

- 4.14 Data analytics work is undertaken across directorates and service areas, providing a systematic evaluation of the control effectiveness within key systems, and highlighting high risk transactions or events. We have mainly focussed our attention on the transactional data within the key financial systems, as a high area of risk. Whilst no significant issues have been identified, this work provides an important source of ongoing assurance to management, and is helpful when considering the direction of each piece of audit work.

- 4.15 In addition to supporting post-payment assurances for COVID grants paid, a significant portion of our data analytics portfolio has also been directed towards aiding the development of financial dashboards as part of the council's Core Business Transformation Programme. The dashboards have now been rolled out across the authority and are key to the transformation of the financial service. 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.

Limited Assurance Opinions and Follow Up Work

- 4.16 The following section provides a summary of the audits that included a limited assurance opinion, either overall or in relation to a specific objective. This section also provides a summary of our follow up work. A key factor in our determination of the overall audit opinion at the end of the year is the extent to which senior managers have implemented audit recommendations and responded to the risks highlighted through our work. Positive responses from management and a demonstrable commitment to continual improvement are important indicators of an appropriate culture and robust control environment. Our follow up work has supported the overall satisfactory opinion for 2020/21.
- 4.17 In March 2021 we reported that, although a Good Assurance opinion was provided overall for our audit of **Housing Leads Lettings**, a limited opinion was provided in relation to the objective focussing on performance monitoring. Many of the issues centred around the implementation of a new IT system, and recommendations were agreed to ensure that reporting resumed accordingly. In addition to following up on this specific issue, we will also be looking at how lessons are learned and appropriate support is engaged around the implementation of other new systems.
- 4.18 Our initial review of the **Fire Safety Management of Council Tenanted Properties** received an acceptable assurance opinion for the control environment. However, given the importance of fire safety and the high-profile nature of the risks involved, we have undertaken a follow up review of the progress made in implementing our recommendations. We found that all recommendations had either been implemented, or were in the process of being implemented, when this was reported to the Committee in March 2021.
- 4.19 In August 2021 we completed a review of the arrangements in place relating to **No Recourse to Public Funds (NPRF)** cases, to ensure that only families with identified needs are assessed as requiring support, and that these payments are made in line with legislation and guidance. This will be reported to the Committee as part of the December 2021 update. The audit provided limited assurance for compliance with the control environment as a result of issues identified with the accuracy of some payments. We also found that policy information was in need of updating. Management have responded positively, agreeing to all of our recommendations with actions ongoing at the time of reporting. We will be completing a follow up audit to provide assurance that actions have been implemented accordingly.

- 4.20 In November 2019 we reported limited assurance for **Invest to Save – Benefits Realisation**, highlighting that central governance arrangements had yet to be fully established during the period under review. Having now completed a follow up audit, good assurance has been provided for the control environment noting that the arrangements for the allocation and approval of funding have been strengthened and a clear framework now in place. This will be significant in supporting the delivery of the Medium Term Financial Strategy. Our follow up audit will be reported to the Committee as part of the December 2021 update.
- 4.21 An audit of **Special Educational Needs (SEN) Out of Area Placements** provided acceptable assurance overall, with robust procedures found to be in place to give assurance that statutory requirements are being complied with and that a range of factors are considered within placement decisions. However limited assurance was provided for a specific objective relating to the timely and accurate approval of payments, with several recommendations agreed around this area of the process. All of our recommendations have been agreed and management actions have already commenced around the payment process. The audit will be included in the December 2021 update.
- 4.22 During the year we identified several issues through our programme of **School Audits** that have led to limited assurance opinions either in full or part. Issues have covered various aspects of financial management, in particular the management of school voluntary funds. Whilst schools have unquestionably been affected by the impact of the pandemic, in all instances we have completed follow up reviews and have been able to point to improvements in the control environment.

Anti-Fraud and Corruption

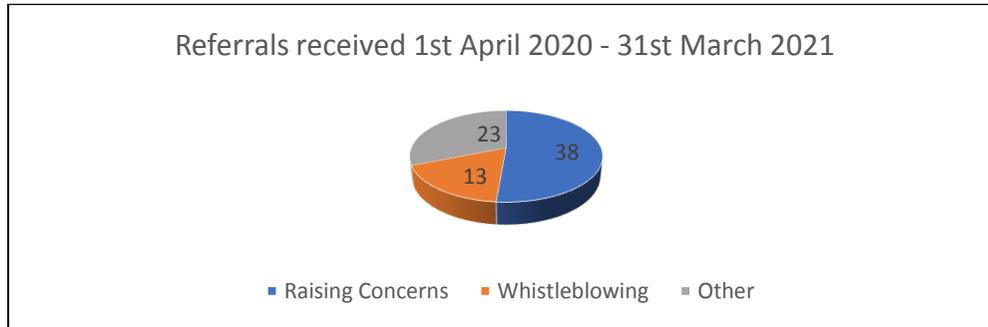
- 4.23 Leeds City Council is committed to the highest standards of openness, probity and accountability. To underpin this commitment, the council takes a zero-tolerance approach to fraud and corruption and is dedicated to ensuring that the organisation operates within a control environment that seeks to prevent, detect and take action against fraud and corruption.
- 4.24 As custodians of the council's anti-fraud and corruption policy framework and owners of the fraud and corruption risk, Internal Audit adopts an overarching responsibility for reviewing the council's approach to preventing and detecting fraud. In addition to Internal Audit, there are several specialist teams and services across the council that undertake counter-fraud/overpayment work, these include:
- Housing and Tenancy Fraud
 - Blue Badges (Disabled Parking Concessions)
 - Council Tax Support / discounts and Housing Benefits
 - Direct Payments

- 4.25 The anti-fraud and corruption work undertaken includes both proactive anti-fraud and corruption activities (fraud strategies) and reactive work (investigations). The team takes a risk-based approach to ensure the risk of fraud is managed effectively with available resources. Proactive fraud exercises, data analytics work and participation in the National Fraud Initiative (NFI) provide assurance that the authority is taking positive action to detect potential fraud and prevent its recurrence.
- 4.26 The council's Whistleblowing Policy and Raising Concerns Policy set out the means by which serious concerns can be brought to the attention of Internal Audit. The Whistleblowing Policy is available on the intranet and encourages council employees, who have serious concerns about any aspect of the council's work, to come forward and voice those concerns without fear of reprisal. The Raising Concerns Policy is published on the council website and offers guidance to members of the public who may have concerns around aspects of the council's work. The promotion and accessibility of these policies helps the council to be responsive to emerging risks that are identified. The routes through which concerns can be raised are currently under review.
- 4.27 Internal Audit are also the custodians of the Anti Bribery and the Anti Money Laundering Policies. The purpose of the Anti-Bribery policy is to maintain the high standards of conduct which currently exist across the council by preventing or identifying bribery. The Anti-Money Laundering Policy sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements within the council.

Reactive Anti-Fraud Work

- 4.28 From 1st April 2020 to 31st March 2021, we received a total of 74 potential irregularity referrals (46 in 2019/20). All reported irregularities were risk assessed by Internal Audit and either investigated by ourselves, the relevant directorate or HR colleagues, as appropriate. Where the matter was referred to directorates or HR for investigation, we have made follow up enquiries to ensure all aspects of the referral have been addressed.

The following graph summarises the number of referrals received by Internal Audit in the period by referral route.



4.29 The referrals received through the ‘other route’ relate to those shared by external agencies, for example the National Anti-Fraud Network, or other council services seeking advice or assistance. The 74 referrals covered a multitude of issues which are summarised in **Table 1** below.

Description of referrals received	Directorate					Total
	Communities and Environment	Resources and Housing	Children and Families	Adults and Health	City Development	
Payroll Fraud	2		1			3
Procurement Fraud – mandate and purchasing cards		2	2	1		5
Economic and voluntary sector support fraud (Covid and other grants)	1	13			1	15
Business Rates		1				1
Housing tenancy – RTB, abandonment, sub- letting, succession		8				8

	Directorate					
Description of referrals received	Communities and Environment	Resources and Housing	Children and Families	Adults and Health	City Development	Total
Staff conduct	3	3	6	2		14
Service complaint	1	2	2	1		6
Misuse of council funds	2		1	1	1	5
Health and Safety				1	2	3
Corruption/ maladministration		4	1	2		7
Cheque Fraud		2				2
Theft	1	2	1	1		5
Total	10	37	14	9	4	74

Closed Referrals

4.30 A total of 61 referrals were closed during the period (this includes some cases that were raised in 2019/20). The outcomes are shown in **Table 2** below. Where relevant, recommendations to improve the control environment were raised, this includes cases that were both proven and not proven. All cases where criminal activity is suspected are reported to the police in line with our zero-tolerance approach to fraud and corruption. At the end of the reporting period there was one case with the police, and one with the CPS for a charging decision. At the end of March, 23 cases remained open.

	Directorate					
Referrals closed by outcome	Communities and Environment	Resources and Housing	Children and Families	Adults and Health	City Development	Total
Disciplinary action including dismissal		2				2
Resigned			1			1
Allegation proven	2	5				7
Unable to prove or disprove, recommendations raised.	3	2		4		9
Allegation not proven	2	16	8	1	4	31
NFA taken, as service already addressed issues or insufficient evidence to investigate	2	4		1	1	8
Addressed under another council policy		2		1		3
Total	9	31	9	7	5	61

Proactive Anti-Fraud Work

- 4.31 To help ensure that there is an effective counter fraud culture in place within the council, we included time in the counter fraud block of the Internal Audit Plan to undertake proactive fraud reviews. These reviews consider areas identified through various methods, including the use of best practice publications and our internal risk assessments.

National Fraud Initiative (NFI)

- 4.32 As part of our proactive anti-fraud work, we take part in the National Fraud Initiative (NFI). The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Where a match is found it may indicate that there is an inconsistency which requires further investigation to determine whether fraud or error has occurred, or if there is another explanation for the match. Relevant teams within the Council (for example, Internal Audit, Benefits, Housing and Tenancy Fraud) have been working through the matches on a risk basis.
- 4.33 Internal Audit has overall responsibility for monitoring the progress of this exercise and ensuring that the NFI system is updated. 15,131 matches were received and 10,025 have been reviewed and closed. Two errors have been identified resulting in the recovery of £1,826¹.

Covid 19 Business Grants

- 4.34 We have undertaken post payment assurance on the Covid business grants. This work has been undertaken in accordance with government requirements. Various data streams have been used to inform our post payment testing. This includes information from a number of different sources comprising NFI bank account and company status validation checks, data provided through the Government's 'Spotlight' system, and data on grant payments identified as higher risk through our analysis. As these grants are provided to the council to distribute to businesses, any recovery of funds will be paid back to government. We have also worked with the service on the operational arrangements for the Self-Isolation Payment Scheme.

IT Proactive Review

- 4.35 FMS Leeds is the Councils financial management system and, due to the nature of the information held within the system, access is restricted and each individual user has a unique login and password. A council wide review has been undertaken to match log-in details to identify any instances where there may be a risk that these have been shared. Ongoing dialogue with the directorates is continuing to establish the reasons for mismatches identified, and relevant action is being taken,

¹ One related to a VAT overpayment and the second related to a council tax reduction overpayment.

including reissuing the password protocol. We have reported our findings to the Core Business Transformation Team for consideration in the implementation of the new system.

Awareness Raising

- 4.36 Included in our counter fraud arrangements are the regular communications to staff of current fraud risks and the signposting of where to report any concerns. At the start of the pandemic, we published an article on Insite highlighting the emerging fraud risks as a result of the emergency response. This set out the importance of internal controls in mitigating the risk of fraud within existing and new processes. Details of key Internal Audit contacts were provided for managers who would benefit from our input. During the year we raised awareness of bank mandate fraud risks via Insite. This included articles published in September and November 2020, and a further alert in February 2021. The council, in line with other organisations, continues to receive fraudulent requests for changes to bank details and false payment requests. Regular reminders of this risk should help to ensure that staff remain aware of the procedures to follow, so that fraudulent payments are prevented.
- 4.37 International Fraud Awareness week took place on November the 15th to the 21st. During this week we promoted the council's counter fraud policies, the fraud awareness training, and raised awareness of current and emerging fraud risks on our InSite page.
- 4.38 During the year we have also been developing a counter fraud training package for inclusion on the Performance and Learning System. This will include information on the key fraud risks to the authority, indicators of fraud, signposting to the counter fraud policies, and how to raise any concerns.

Self-Assessment of Counter Fraud Arrangements and Strategy Development

- 4.39 We have undertaken a self-assessment of our arrangements against the CIPFA Counter Fraud Assessment Tool. The key areas of this assessment consider how as a council we:
- Acknowledge responsibility
 - Identify risks
 - Develop a strategy
 - Provide resources
 - Take Action

- 4.40 The output from this was that the council has reached a good level of performance against the code and has put in place effective arrangements in many aspects. The authority is taking positive action to manage fraud risks and actively working to improve its resilience. The assessment identified that there are further opportunities to strengthen our approach through the development of a Counter Fraud Strategy which is also being presented to Members of the Committee. This will comprehensively address the council's reactive and proactive approach to tackling the risk of fraud and corruption, and will be aligned to the aims, objectives and values of the Council.

Regulation of Investigatory Powers Act 2000

- 4.41 In the most recent inspection report issued by the Office of Surveillance Commissioners, it was recommended that Members should receive regular reports about the use of the Council's surveillance powers under the Regulation of Investigatory Powers Act (RIPA). The Head of Service (Legal) has confirmed that there have been no applications for directed surveillance or covert human intelligence source (CHIS) authorisations during this financial year. In addition, there has been no use of the powers to obtain communications data over the same period.

Summary of Completed Audit Reviews

- 4.42 This section provides a summary of all reports issued since the previous Annual Report. Audit reviews completed from 1st June 2019 to 31st October 2020 were reported in the Internal Audit Annual Report for 2019/20 that was presented to the Committee in November 2020. **Table 3** below demonstrates the audit opinions given, and also brings out the range of assurance themes that can be drawn from the work undertaken. This underlines the value added within the section and is a key factor in supporting the Head of Audit's annual opinion. The table also includes details of the Corporate Governance and Audit Committee meeting date where the audits were reported.

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
Finance including Key Financial Systems					
Financial Management Central Controls	Substantial	N/A	Minor	Financial Management, Risk Management, Governance and Decision Making, Legislative / Regulatory Compliance,	December 2020
Business Rates	Substantial	Substantial	Minor	Legislative / Regulatory Compliance, Financial Management, Anti-Fraud & Corruption, Information Governance	March 2021
Sundry Income Central Controls	Substantial	Substantial	Minor	Financial Management, Information Governance, Legislative / Regulatory Compliance, Anti-Fraud & Corruption	March 2021
Housing Rents	Substantial	N/A	Minor	Information Governance, Financial Management, Legislative / Regulatory Compliance, Governance and Decision Making	June 2021
Council Tax	Good	N/A	Minor	Financial Management, Governance and Decision Making, Information Governance	September 2021

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
Housing Benefit Assessments and Payments	Substantial	Substantial	Minor	Legislative / Regulatory Compliance, Financial Management, Information Governance, Performance Management	September 2021
Client Information System (CIS) Payments	Substantial	Substantial	Minor	Procurement, Contracts and Commissioning, Financial Management, Anti-Fraud & Corruption, Information Governance, Safeguarding	September 2021
Schools Central Financial Controls	Good	N/A	Minor	Financial Management, Governance and Decision Making, Legislative / Regulatory Compliance, Performance Monitoring, Risk Management	December 2021
FMS Creditor Purchase and Payment; Central and Directorate Processes	Substantial	Good	Minor	Financial Management, Anti-Fraud & Corruption, Business Innovation and Development, Information Governance, Risk Management, Performance Management, Value for Money, Legislative / Regulatory Compliance	December 2021

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
Central Purchasing Card Controls	Good	Good	Minor	Financial Management, Anti-Fraud & Corruption, Risk Management, Performance Management, Value for Money, Legislative / Regulatory Compliance	December 2021
ICT and Information Governance					
Community Cloud Governance Arrangements	Good	N/A	Moderate	Cyber Security, Information Governance, Project and Programme Management, Risk Management, Governance and Decision Making	September 2021
ICT Asset Management	Good	N/A	Minor	Asset Management, Financial Management, Cyber Security, Anti-Fraud & Corruption	December 2021
Privileged User Access Follow Up	N/A - Memo Issued			Information governance, Cyber Security, Legislative / Regulatory Compliance, Risk Management	December 2021

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
Procurement					
Social Value	Acceptable	N/A	Minor	Social Value, Procurement, Contracts and Commissioning, Legislative / Regulatory Compliance, Governance and Decision Making	September 2021
PPE Contract Review	Good	N/A	Minor	Procurement, Contracts and Commissioning, Legislative / Regulatory Compliance, Governance and Decision Making, Value for Money, Risk Management	December 2021
Directorate risks					
Personal Education Plans	Substantial	Acceptable	Minor	Safeguarding, Information Governance, Legislative / Regulatory Compliance, Performance Management	December 2020
Cluster Model and Area Inclusion Partnerships (AIP)	Good	N/A	Minor	Governance and Decision Making, Partnerships, Financial Management, Performance Management, Risk Management, Safeguarding	December 2020

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
Funding for Inclusion	Acceptable	Acceptable	Moderate	Safeguarding, Financial Management, Performance Management, Governance and Decision Making	December 2020
Flood Alleviation Scheme Stage 1 Operational Readiness	Good	N/A	Minor	Risk Management, Performance Management, Governance and Decision Making, Climate Emergency and Sustainability, Asset Management	December 2020
Major Adaptations	Substantial	Substantial	Minor	Information Governance, Procurement, Contracts and Commissioning, Value for Money, Safeguarding, Governance and Decision Making, Legislative / Regulatory Compliance	March 2021
Housing Leeds Lettings	Good	Good	Minor	Information Governance, Legislative / Regulatory Compliance, Asset Management, Financial Management, Performance Management	March 2021

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
Fire Safety Management of Council Tenanted Properties Follow Up	Good	N/A	Moderate	Risk Management, Performance Management, Legislative / Regulatory Compliance, Health and Safety	March 2021
Council Housing Growth	Good	N/A	Minor	Performance Management, Procurement, Contracts and Commissioning, Social Value	March 2021
Financial Assessments	Substantial	Good	Minor	Information Governance, Financial Management, Legislative / Regulatory Compliance, Performance Management	March 2021
Anti-Money Laundering arrangements for the Revolving Investment Fund	Good	N/A	Minor	Anti-Fraud & Corruption, Financial Management, Risk Management, Governance and Decision Making	June 2021
Application of HR Policies (Impact of COVID-19)	Substantial	N/A	Minor	Human Resource Management, Ethics and Culture, Performance Management, Governance and Decision Making, Legislative / Regulatory Compliance, Risk Management	June 2021

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
One Adoption West Yorkshire – Governance Arrangements	Good	N/A	Minor	Governance and Decision Making, Partnerships, Safeguarding	September 2021
Leaseholders	Good	Substantial	Minor	Information Governance, Financial Management, Performance Management	September 2021
Leeds Building Services – Procurement	Acceptable	N/A	Minor	Procurement, Contracts and Commissioning, Social Value, Value for Money, Financial Management, Governance and Decision Making, Legislative / Regulatory Compliance	September 2021
Nursing and Residential Care Payments	Good	Good	Minor	Information Governance, Financial Management, Safeguarding, Performance Management	September 2021
Housing Leeds – Complaints Handling Process	Acceptable	Good	Minor	Information Governance, Governance and Decision Making, Legislative /Regulatory Compliance, Ethics and Culture	September 2021

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
Taxi and Private Hire Licensing	Good	Good	Minor	Information Governance, Governance and Decision Making, Legislative / Regulatory Compliance, Risk Management	September 2021
Belle Isle TMO – Review of Modular Management Arrangement	N/A - Memo Issued			Information Governance, Risk Management, Performance Management, Procurement, Contracts and Commissioning, Health and Safety, Partnerships	December 2021
No Recourse to Public Funds	Acceptable	Limited	Moderate	Legislative / Regulatory Compliance, Governance and Decision Making, Performance Management, Financial Management, Safeguarding, Value for Money	December 2021
Invest to Save – Benefits Realisation Follow Up	Good	N/A	Minor	Governance and Decision Making, Financial Management, Value for Money, Performance Management, Business Innovation and Development	December 2021

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
Special Educational Needs (SEN) Out of Area Placements	Acceptable	N/A	Minor	Safeguarding, Financial Management, Performance Management, Governance and Decision Making, Legislative / Regulatory Compliance, Risk Management, Value for Money	December 2021
Schools					
School Follow Up Audit 1	Substantial	Good	N/A	Financial Management, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	September 2020
School Follow Up Audit 2	Substantial	Good	N/A	Financial Management, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	September 2020
School Audit 1	Good	Acceptable	N/A	Financial Management, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	December 2020

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
School Follow Up Audit 3	Substantial	Good	N/A	Financial Management, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	March 2021
School Follow Up Audit 4	Limited	Limited	N/A	Financial Management, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	March 2021
School Follow Up Audit 5	Acceptable	Acceptable	N/A	Financial Management, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	June 2021
School Audit 3	Good	Acceptable	N/A	Financial Management, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	June 2021
School Audit 4	Substantial	Good	N/A	Financial Management, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	June 2021

Report Title	Audit Opinion			Assurance Themes	Included in Report to CGAC
	Control Environment	Compliance	Impact		
School Audit 5	Good	Good	N/A	Financial Management, Procurement, Contracts and Commissioning, Governance and Decision Making, Value for Money	September 2021

4.43 During the year, we have certified 11 School Voluntary Funds and completed 13 reviews which have provided assurance to various central government departments and other bodies that grant conditions have been complied with. These are listed below:

- Cycling Ambition Grant x2
- Local Public Transport Investment Programme
- National Productivity Investment Fund x2
- Pothole Action Fund
- Local Transport Capital Block Funding Grant
- West Yorkshire Plus Transport Fund
- Blue Badge Grant
- Local Authority Bus Subsidy Ringfenced (Revenue) Grant
- Additional Highways Maintenance Grant

- Emergency Active Travel Fund Tranche 1 Grant
- Disabled Facilities Grant Claim

5 Other Audit Work

5.1 During the year we have been involved in a wide range of other audit work which, whilst not culminating in the issue of a formal report, has enabled us to provide ongoing oversight and advice in respect of internal control, governance and transformational activities. Some of the key work of this nature is summarised within **Table 4** below.

Audit Work Completed	Details	Contribution to Assurance
COVID Response	Further to the onset of the pandemic, we provided support across a number of areas to ensure that internal controls remain in place and good governance is adhered to. This included involvement in the controls to support self-isolation payments, volunteer expenses and various other procedural adjustments. We also provided resource to support the temporary mortuary facility.	The work ensured that we were consulted on the fast-paced changes to the control environment, contributing to a range of assurances including financial management and control, risk management, governance and decision making and business innovation.
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.	The work contributes across a range of assurances including financial management and control, risk management, governance and decision making and business innovation.
Core Business Transformation – Programme Assurance	Ongoing work to provide review, advice and challenge to the Programme Board including specific work to ensure that contract documentation was adequately reviewed and signed off.	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.

Audit Work Completed	Details	Contribution to Assurance
Contracts Procedure Rules Review	Contribution to the annual review of the council's Contracts Procedure Rules.	The work helps to ensure that the council's Contract Procedure Rules remain up to date and fit for purpose.
Local Government Association Peer Review – Procure to Pay	Participation in a Local Government Association led peer review of the council's systems and processes throughout each stage of procurement through to payment.	The work contributes to assurances around governance and decision making, procurement and contracting, contract management and the delivery of value for money through purchasing activities.
Contract Management and Monitoring Working Group	Participation in a working group of officers looking to deliver best practice in contract management.	The work contributes to assurances around procurement and contracting, with emphasis on the delivery of quality outcomes and value for money.
Community Cloud Executive Steering Committee	Ongoing work to provide review, advice and challenge to the Microsoft 365 transitional projects.	The work contributes across a range of assurances including governance and decision making, value for money and information security.
Children and Families – Families First Grant Validation	Regular ad-hoc grant claim validation work carried out throughout the year to support the Directorate.	The work contributes to assurances in respect of financial management and governance.
Verification of contribution payments to the PAYE Settlement Agreement 2020/21	Work undertaken to provide assurance that the correct calculations have been made for the PAYE Settlement Agreement in respect of Lord Mayor Expenses, Long Service Awards, MetroCards (home to office travel) and Examination / Performance Awards.	The work contributes to assurances around financial controls and processes and provides specific assurance to the council's Chief Finance Officer.

Audit Work Completed	Details	Contribution to Assurance
Planning Decisions Review	We have reviewed specific planning decisions in response to issues raised by Members of the Committee.	The work contributes to assurances around legislative and regulatory compliance, alongside governance and decision making.
General audit queries and advice issued	Over the course of the year 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 work contributes to assurance in a range of areas, in particular governance and decision making and financial control. 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.

5.2 Other value adding audit activities are summarised within the table below:

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.
Corporate Governance and Audit Committee support	Drafting reports and attending meetings of the Corporate Governance and Audit Committee. Responding to member queries.

6 Quality Assurance and Improvement Programme and Conformance with PSIAS 2020/21

Internal Audit Performance

- 6.1 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.
- 6.2 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 annual external review of our quality management system was undertaken in October 2020, further details are included at 6.8 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 meeting and an annual summary is included at Table 7 below.
 - Self-assessments are undertaken against the PSIAS for conformance. The light touch self-assessment was completed in Spring 2021 mindful of the fact that a more comprehensive review would be undertaken later in the year and validated through an external assessment.
- 6.3 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 took place during 2016 which concluded that Leeds City Council's Internal Audit Service conforms to the requirements of the PSIAS. It has been agreed by the Core Cities Internal Audit Group that rotational peer reviews will be undertaken. Glasgow City Council are undertaking this assessment, which will review the extent to which the Internal Audit function complies with the PSIAS. This work is in the process of being concluded and, once completed, members of the Committee will be provided with the full report at the next available meeting.
- 6.4 Members receive updates on the work of Internal Audit throughout the year. **Table 5** summarises the reports provided to the Corporate Governance and Audit Committee between 1st April 2020 and 31st October 2021.

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 2019/20	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 2019/20.
Annual Audit Plan 2021/22	Presented the proposed Internal Audit Plan for 2021/22 for review and approval.

Resources

- 6.5 Resources have increased marginally since the Internal Audit Plan for 2020/21 was approved by the Committee, and ongoing efforts have been made to maximise productivity with the available resource. We continue to take a risk based approach throughout the year and are able to confirm that resources have been appropriate, sufficient and effectively deployed to achieve the audit coverage necessary to deliver the annual Internal Audit opinion.

Proficiency and Due Professional Care

- 6.6 Proficiency and due professional care is 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.
- 6.7 All members of the Internal Audit team are professionally qualified, plan to study or are studying for professional qualifications and Table 6 demonstrates that there is also a good level of local government auditing experience within the team.

Table 6 – Experience of Full Time Equivalent (FTE) staff in post

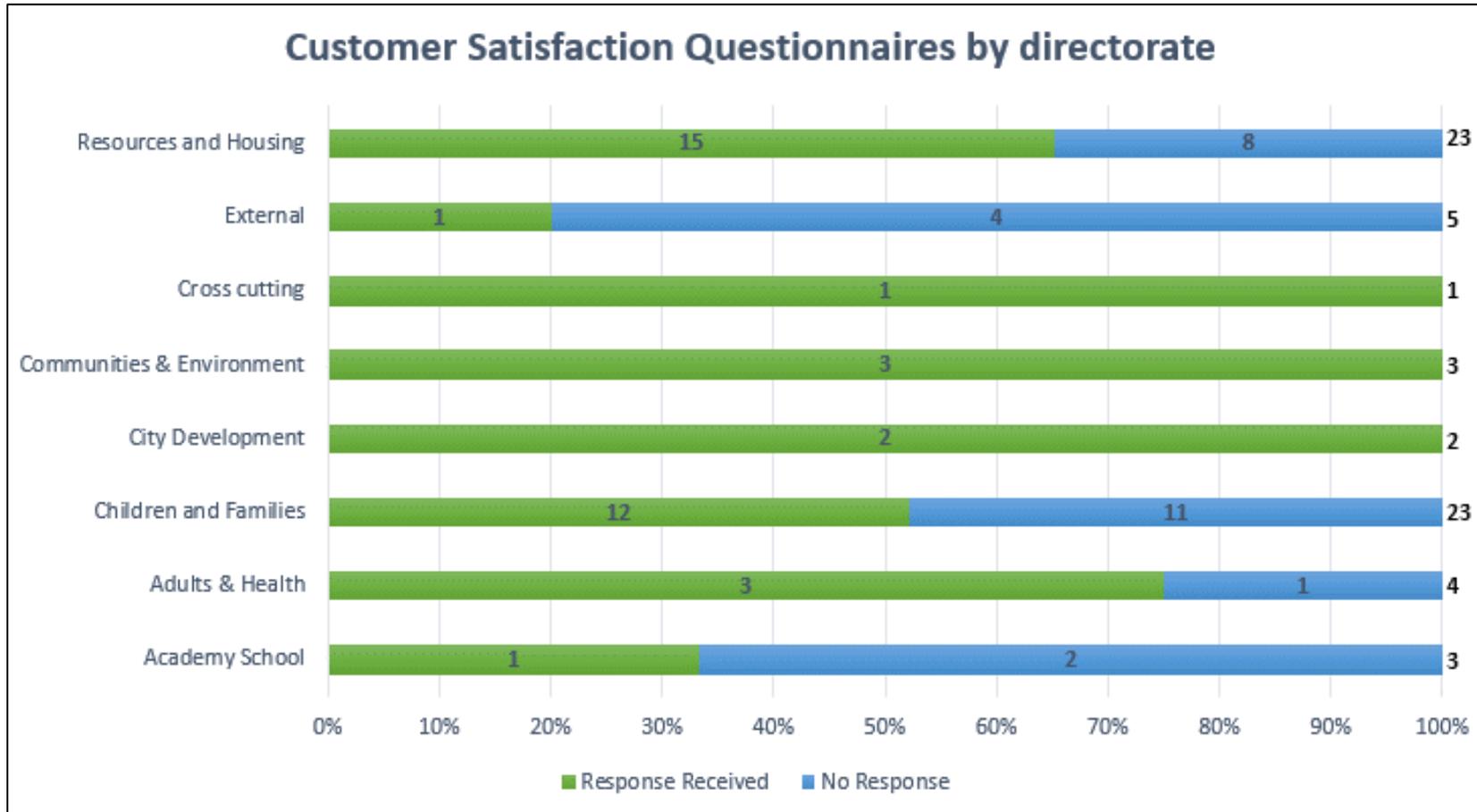
Years of experience – local government auditing	FTE at 31/03/2020	FTE at 31/03/2021
Less than 1 year	1.57	0
1 – 5 years	4.0	5.68
6 – 10 years	2.0	2
Over 10 years	9.22	9.32
Total FTE	16.78	17.0

Quality

- 6.8 The annual independent review of the Internal Audit quality system was undertaken in October 2020. The assessment confirmed that the management system continues to conform to our own standards and procedures and is demonstrating continual improvement. No non-conformances were identified, and one minor opportunity for improvement has been addressed. 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.
- 6.9 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). Table 7 below shows the results for the 38 questionnaires received between 1st April 2020 and 31st March 2021 at an overall response rate of 59% (for comparison, 46 CSQs were received for the same period in the previous year at a response rate of 60%). 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.

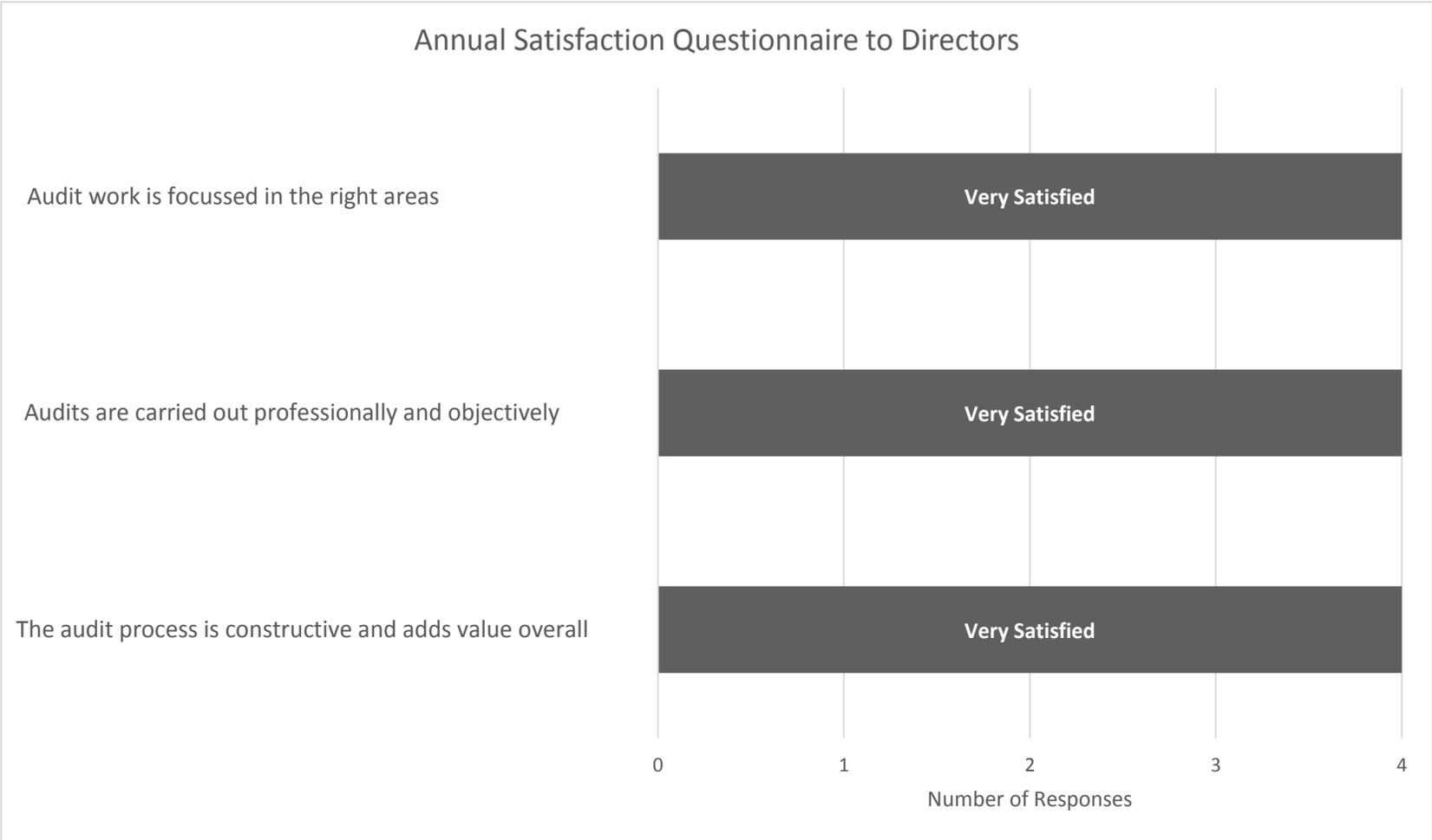
Question	Average Score (out of 5)	Max Value	Min Value
Sufficient notice was given	4.83	5.00	4.00
Level of consultation on scope	4.78	5.00	2.00
Auditor's understanding of systems	4.50	5.00	3.00
Audit was undertaken efficiently	4.65	5.00	3.00
Level of consultation during the audit	4.68	5.00	3.00
Audit carried out professionally and objectively	4.95	5.00	4.00
Accuracy of draft report	4.68	5.00	2.00
Opportunity to comment on audit findings	4.82	5.00	3.00
Clarity and conciseness of final report	4.79	5.00	3.00
Prompt issue of final report	4.71	5.00	3.00
Audit recommendations will improve control	4.58	5.00	3.00
The audit was constructive and added value	4.61	5.00	2.00
Overall Average Score	4.71		

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



- 6.11 We have continued to look at ways of maximising our CSQ feedback, and the Chair of the Committee has recently written to the Chief Executive and the Director of Resources, who have asked for the support of the council’s leadership team in helping to ensure all service areas provide feedback where requested. This message has also been circulated through the Best Council Leadership Team.
- 6.12 To supplement the established CSQ process, we also confirmed to the Committee that we would write to directors at the end of the financial year to ask for their views on our service and include the feedback in this Annual Report. We asked the directors to indicate their level of satisfaction with our service using a rating of ‘very satisfied’, ‘satisfied’, ‘fairly satisfied’ and

'not satisfied'. Responses were received from four directors or their nominated representatives and the results are provided below.



Internal Audit provides a supportive and important assurance service to the Adults & Health Directorate – from jointly determining the annual plan to delivery and reporting of the audit. Research is carried out with the right individuals and updates on services are sought prior to planning the individual audit. Key risk areas are regularly audited, but areas the directorate want a focus on are treated as being equally important.

Internal Audit play a vital role in not only ensuring probity but helping the Council use its resources wisely. The service maintains the proper balance between robust objectivity and constructive engagement with services which enables improvement. I have been particularly grateful to the service for its role in advising on the administration of grants throughout the pandemic which posed new challenges to the Council.

The Internal Audit team working on Children & Families are very knowledgeable about the service.

Quality Assurance and Improvement Action Plan

- 6.13 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. As a result, we now have a number of actions that are in the process of being addressed. The Action Plan is provided at Table 8 below.

Action	Timescale and Status
Assurance mapping will continue to be developed to support the annual audit planning process.	Ongoing – this work is being taken forward through our participation in a CIPFA assurance framework working group ahead of being rolled out across the teams.
Internal development of counter-fraud training for use on the Performance and Learning (PAL) system.	Substantially complete - the counter fraud training has been developed and is now at the testing phase.

Action	Timescale and Status
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.	Substantially complete – the communications plan has been developed and will be used to support the roll out of the counter-fraud training in Q4 2021/22.
Internal Audit Counter-Fraud Insite Page – To update the counter-fraud information available internally through the intranet.	Ongoing – to be refreshed in conjunction with updates to the Counter-Fraud Strategy and Whistleblowing Policy.
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 required with the aim of producing additional performance monitoring information for the committee.
Internal Audit Reporting Protocols – to update and streamline directorate reporting protocols to drive timely completion of audit reports.	Ongoing – Revised protocols have been drafted and are currently at consultation stage ahead of being rolled out for the start of 2022/23.
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.	Ongoing – The Corporate Governance and Audit Committee reports have been consulted on and refreshed during the year. Work is ongoing to review the means through which our audit findings are reported to management. This will include consultation with relevant key stakeholders.
Internal Audit Technical Manual – To review and update the technical manual as a means of promoting auditing best practice across the team.	Substantially Complete – The technical manual has now been reviewed and is to be shared across the team in Q3 / Q4 2021/22.

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>Ongoing – The team has been consulted on areas in which additional training is required. To date this has resulted in:</p> <ul style="list-style-type: none">• SharePoint Online Training – now completed.• Audit Time Management and Recording System – team members have been asked to highlight specific areas with training to be provided across Q3 / Q4 2021/22.