



Appendix A

Leeds City Council Internal Audit Update Report

Corporate Governance and Audit Committee

25th March 2022

INTERNAL AUDIT UPDATE REPORT 2021/22

1ST December 2021 to 28th February 2022

1 Purpose of this report

- 1.1 This report provides the Committee with a summary of the work completed by Internal Audit during the period from 1st December 2021 to 28th February 2022. The work of Internal Audit offers a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

2 2021/22 Internal Audit Plan Progress

- 2.1 The work of Internal Audit is directed by the annual Internal Audit Annual Plan. This has been developed in line with the Public Sector Internal Audit Standards (PSIAS) and has been reviewed and approved by the Committee.
- 2.2 Throughout the audit year we will develop our Annual Assurance Opinion based upon:
- Work carried over from the previous year.
 - Work contained within the 2021/22 Internal Audit Plan that was approved by the Committee in March 2021.
 - Unplanned work undertaken in response to emerging risks and priorities.
- 2.3 We have looked at the priorities within the 2021/22 Internal Audit Plan to ensure that these are aligned with current risks and council objectives. Those audits deemed as a lower priority in the current time period have been re-evaluated on a risk basis. This has resulted in some audits being deferred to the 2022/23 Internal Audit Plan.

3 Changes to the 2021/22 Internal Audit Plan

- 3.1 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency. As risks and priorities change throughout the year, we may also alter the profile of the plan to ensure attention is focussed on areas of the highest risk in the most efficient and effective way. Our quarterly reports will provide the Committee with details of audits that have been deferred, added to or deleted from the audit plan, as agreed in conjunction with management. Below is a summary of material changes that have been made to the 2021/22 Internal Audit plan to date. Schools are excluded from this information due to the dynamic nature of this area of the plan.

Directorate/Service	Audit Assignment Title	Deferred / Added / Removed
Cross Cutting	Contain Outbreak Management Fund	Added – Added to the plan as a result of funding provided to help reduce the spread of coronavirus. Our work will involve verifying that monies have been spent in accordance with the grant terms. The time taken out of contingency
Finance & Key Financial Systems	Income Management Systems	Deferred – Audit included in 2022/23 Internal Audit Plan to allow time for new system to embed.
Finance & Key Financial Systems	Silver Group Challenge	Deferred – Obtained assurance through attendance at the group and via regular liaison with the Chief Finance Officer. Future coverage incorporated within an audit of the financial challenge which is included within the 2022/23 Internal Audit Plan.
Adults & Health	Recovery Service	Deferred – Risk assessed in discussion with management and reprioritised for inclusion within the 2022/23 Internal Audit Plan.
Children & Families	Area Inclusion Partnerships	Removed – Audit removed from plan due to Scrutiny Board review. Time incorporated within 2022/23 Internal Audit Plan to respond to new and emerging risks which will enable the opportunity to respond to any outcomes.

Directorate/Service	Audit Assignment Title	Deferred / Added / Removed
Children & Families	Commissioning	Removed – Risks assessed in discussion with management and audit removed from the plan.
Children & Families	Safeguarding	Deferred – Assurances have been obtained through Scrutiny involvement and ongoing Ofsted inspection with the report to be published in April. We will be working with the directorate to provide support and challenge around the outcomes of the report and an audit has been included in 2022/23 Internal Audit Plan.
Children & Families	Support for Care Leavers	Deferred – Risk assessed in discussion with management. Assurances will be taken from the ongoing Ofsted inspection. This will be reprioritised for inclusion within the scope of a contract management audit in the 2022/23 Internal Audit Plan.
Communities, Environment & Housing	Private Sector Regulation – Selective Licensing	Deferred – Risk assessed in discussion with management and reprioritised for inclusion within the 2022/23 Internal Audit Plan.
Communities, Environment & Housing	Housing Disrepair	Removed – Risks were assessed and discussed with the Chief Officer Housing and it was agreed that this would be replaced with a review of Void Management in the 2022/23 plan.

Directorate/Service	Audit Assignment Title	Deferred / Added / Removed
Communities, Environment & Housing	Leeds Building Services Assurances	Deferred – Coverage discussed with the Chief Officer Housing and agreed to review the replacement for the Total Repairs system, Connect, with the audit to be scheduled within the 2022/23 Internal Audit Plan.
Communities, Environment & Housing	Waste Strategy	Removed – Pending feedback on government consultation, which is expected to influence the local Waste Strategy, at which point future coverage will be considered.
Communities, Environment & Housing	Houses of Multiple Occupancy – Follow Up	Deferred – Risk assessed in discussion with management and reprioritised for inclusion within the 2022/23 Internal Audit Plan.
City Development	Highways DLO	Deferred – Risk assessed in discussion with management and reprioritised for inclusion within the 2022/23 Internal Audit Plan.

4 Final Internal Audit reports issued

4.1 We have issued 6 audit reports (excluding external work) during the period from 1st December 2021 to 28th February 2022.

4.2 Depending on the type of audit review undertaken, an assurance opinion may be assigned for the control environment, compliance, and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the system under review not being achieved. A compliance opinion provides assurance on the extent to which the controls are being complied with. Assurance opinion levels for the control environment and compliance are categorised as follows: substantial (highest level); good; acceptable; limited and no assurance.

4.3 Organisational impact is reported as either: major, moderate, or minor depending on the severity of the issues identified within the audit. Any reports issued with a major organisational impact will be reported to the Corporate Leadership Team along with the relevant directorate's agreed action plan.

4.4 The following table provides a summary of the reports issued during the period from 1st December 2021 to 28th February 2022, along with the assurances provided where applicable.

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
ICT and Information Governance				
Data Protection Impact Assessments	Limited	N/A	Moderate	Risk and Resilience, Information Governance, Cyber Security, Governance and Decision Making, Legislative/Regulatory Compliance
Directorate Risks – City Development				
Strategic Investment Fund Acquisitions	Good	N/A	Minor	Risk and Resilience, Financial Management, Value for Money, Asset Management, Governance and Decision Making, Legislative/Regulatory Compliance
Directorate Risks – Housing				
Retirement Wellbeing Checks	Good	Acceptable	Minor	Risk and Resilience, Governance and Decision Making, Legislative/Regulatory Compliance, Performance Management
Schools				
Secondary School Audit	Good	Good	N/A	Risk and Resilience, Human Resource Management, Governance and Decision Making, Financial Management, Legislative/Regulatory Compliance, Procurement, Contract and Commissioning, Value for Money

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
School Voluntary Fund audits x 2	N/A certification of account balances			Financial Management

5 Summary of Audit Activity and Key Issues

5.1 During the reporting period, there have been no limitations to the scope, and nothing has arisen to compromise our independence.

Limited or No Assurance Opinions

5.2 Of the audit reviews finalised during the period, no weaknesses have been identified that would result in “major” organisational impact. However, one audit received a limited control environment opinion.

Data Protection Impact Assessments

5.2.1 During the period we completed an audit of Data Protection Impact Assessments (DPIAs). A DPIA form must be completed for any new or change in service where personal or special categories of personal data is used. DPIAs are an important tool for accountability, as they help the council comply with the requirements of data protection legislation to identify and reduce privacy risks.

5.2.2 The overall objective of our audit was to provide assurance that there are appropriate controls in place to ensure DPIAs are completed where required. Appropriate guidance is in place for producing DPIAs, Information Management & Governance (IM&G) maintain a library of those DPIAs they are aware of and there is a route in place to escalate those considered high risk. However, we have provided limited assurance on the control environment overall as a result of weaknesses identified in relation to DPIAs not being progressed appropriately, not being signed off and insufficient monitoring to ensure this was being completed.

5.2.3 Management have responded positively, agreeing to all of our recommendations. A review of the DPIA process has commenced and will incorporate our findings and recommendations into this. We will be completing a follow up audit to provide assurance that actions have been implemented accordingly.

6 Other Audit Work

Audit Work Completed	Details	Contribution to assurance
Children and Families – Families First Grant Validation	Grant claim validation work carried out to support the Directorate.	We were able to confirm the validity of the claim. The work contributes to assurances in respect of financial management and governance.
Green Homes Grant Validation	Grant claim validation work carried out in respect of funding received for the installation of eligible measures to save households money, cut carbon, and create green jobs.	We were able to confirm that the monies have been spent in accordance with the grant conditions. The work contributes to assurances in respect of financial management and governance.
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.	We have worked alongside financial services on the development of a range of budget monitoring dashboards. 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 oversight and advice around the procurement process.	We have continued to provide assurance in respect of the procurement and risk management process including the provision of regular reports to the Programme Board. 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 regular 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. Recent areas of focus have included the way in which CPRs can facilitate commercial activity, and ensuring that delegations remain appropriate.
Community Cloud Executive Steering Committee	Ongoing work to provide review, advice, and challenge to the Microsoft 365 transitional projects.	We provide review and challenge to the committee. The work contributes across a range of assurances including governance and decision making, value for money and information security.
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.
Fraud Risk Mapping – Data Analytics	Work to assess fraud risks and compile systems maps with a view to developing data analytics reporting where appropriate.	We are evaluating the deployment of modern auditing techniques, contributing to assurances around the management of fraud and corruption risks and helping to further instil the anti-fraud culture.
Treasury Management – Data Analytics	We have undertaken the initial work to establish an on-going audit programme to provide timely assurance over the accuracy and completeness of treasury transactions. This tranche of work has included transactions which have occurred since the last audit, March 2020, to January 2022.	Where information was available for the period under review, we can provide assurance that treasury transactions have been correctly received or paid, including that interest amounts have been calculated correctly. We will be undertaking sample testing where it is not possible to incorporate data analysis to

Audit Work Completed	Details	Contribution to assurance
	Once the audit programme is embedded, we will be providing regular reporting of outcomes to the service.	provide assurance on the whole population of transactions.
£150 Energy Bill Support Scheme	Attendance at Project Board set up to oversee the administration of the £150 energy bill support payment to eligible properties, including the discretionary grant component.	Our place on the Project Board enables us to provide advice around the controls in place and to ensure that these are designed to meet government guidance and mitigate the risk of fraud.
Income Recovery Board	Attendance at the Adults & Health Programme Board overseeing various ongoing developments looking at maximising client contributions.	We provide a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service redesign.
Adults & Health Budget Review Group	Attendance at a group within Adults & Health that has been set up to monitor progress in the achievement of Budget Action Plans.	This provides us with valuable oversight of progress against Budget Action Plans within the directorate, including the agreement of actions taken where risks to delivery are identified.
Information Governance Policy Review Group	Attendance at a group set up to review existing information governance policies and protocols.	This enables us to provide support and advice around the policies under review, also offering valuable oversight around the risk management process.

7 Other Audit Activities

Audit Activity	Description
Client Liaison Activities	Provision of professional advice to officers, including client liaison activities that promote the work of Internal Audit, and to reinforce the importance of robust controls and good governance.

Audit Activity	Description
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.
Audit and Risk Updates	Regular meetings between the Head of Audit and the Intelligence and Policy Service to share information around a number of areas that contribute to the risk management process.

8 Work in Progress

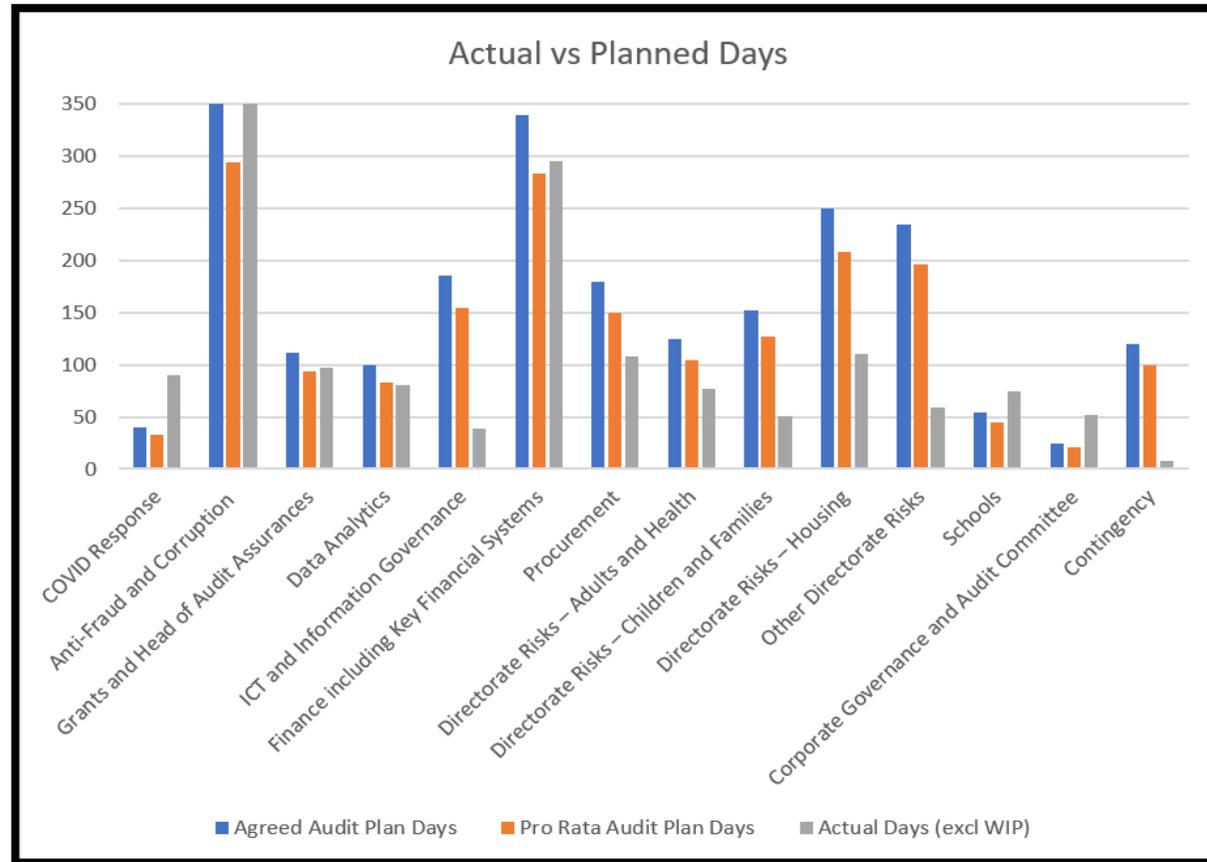
8.1 The following table provides a summary of audits in progress at the time of producing this report:

Assurance Block/ Audit Assignment	Fieldwork in Progress	Draft Report	Finalisation
Adults & Health – CIS Payments	✓		
Adults & Health – Deprivation of Liberty Safeguards Follow Up	✓		
Adults & Health – Payments to Providers of Homecare Follow Up	✓		
Procurement – Temporary Staff Vetting Contract Review		✓	
Procurement – Management of Off-Contract Expenditure in Parks and Countryside	✓		
Housing – Asbestos	✓		
Housing – Rents	✓		

Assurance Block/ Audit Assignment	Fieldwork in Progress	Draft Report	Finalisation
Other Directorate Risks – High Value Stock Management		✓	
Other Directorate Risks – Employee Outside Interests		✓	
Other Directorate Risks – Direct Payments		✓	
Finance and Key Financial Systems – Capital Programme Central Controls	✓		
Finance and Key Financial Systems – FMS Creditor Purchase and Payment; Central and Directorate Processes	✓		
Schools – School Voluntary Fund Audits	✓		
Schools – High School Audit			✓
Schools – Primary School Audit		✓	
Covid-19 Business Grants	✓		
Contain Outbreak Management Fund Grant	✓		

9 Internal Audit Productivity

- 9.1 We are currently on schedule to complete the work identified as a priority for inclusion in the 2021/22 Internal Audit Plan by quarter 1 in 2022/23. We have also gained assurances through a wide range of other sources as reflected in sections 6 and 7 above. This will be sufficient to enable us to deliver the Head of Audit Annual Opinion.
- 9.2 The following bar chart provides a comparison of agreed audit plan days against the days that have been used so far in the 2021/22 Internal Audit plan.



10 Internal Audit Performance

Feedback

- 10.1 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.

- 10.2 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.
- 10.3 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. Standard wording has been agreed amongst the Internal Audit team to emphasise and consistently promote the requirement of responding to CSQ's to enable continuous improvement within the Internal Audit process.
- 10.4 For the period from 1st December 2021 to 28th February 2022 we have issued a total of 12 Customer Satisfaction Questionnaires and received 6 completed returns at a response rate of 50% in the period. A summary of the scores is presented in the table below. We have also included a graph that shows the response rate by Directorate.

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	4.60	5.00	4.00
Auditor's understanding of systems	4.17	5.00	4.00
Audit was undertaken efficiently	4.83	5.00	4.00
Level of consultation during the audit	4.60	5.00	4.00
Audit carried out professionally and objectively	5.00	5.00	5.00
Accuracy of draft report	5.00	5.00	5.00
Opportunity to comment on audit findings	5.00	5.00	5.00
Clarity and conciseness of final report	5.00	5.00	5.00

Question	Average Score (out of 5)	Max Value	Min Value
Prompt issue of final report	5.00	5.00	5.00
Audit recommendations will improve control	4.83	5.00	4.00
The audit was constructive and added value	4.67	5.00	4.00
Overall Average Score	4.81		



11 Quality Assurance

- 11.1 The PSIAS require a Quality Assurance Improvement Programme (QAIP) to be in place that 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 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 has now passed the first testing phase. The next steps will involve consulting a wider range of officers prior to roll out.
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 once this has been fully completed.
Internal Audit Counter-Fraud Insite Page – To update the counter-fraud information available internally through the intranet.	Complete – this has been refreshed in conjunction with the development of the Counter-Fraud Strategy and updates to the Whistleblowing Policy and the external Reporting Fraud, Bribery and Corruption web page.
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 being undertaken with the aim of producing additional performance monitoring information for the committee.

Action	Timescale and Status
<p>Internal Audit Reporting Protocols – to update and streamline directorate reporting protocols to drive timely completion of audit reports.</p>	<p>Ongoing – Revised protocols have been drafted and are currently at consultation stage ahead of being rolled out for the start of 2022/23.</p>
<p>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 and reflecting the needs of Members.</p> <p>Currently the Internal Audit team report on compliance with the PSIAS through the Annual Report and large Opinion. The external assessment recommended that compliance is referenced on a more regular basis, for example within each audit report.</p>	<p>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, and we have gathered feedback from a range of key contacts.</p> <p>A draft template is currently under review.</p>
<p>Internal Audit Technical Manual – to review and update the technical manual as a means of promoting auditing best practice across the team.</p>	<p>Substantially Complete – The technical manual has now been reviewed and the points raised will be discussed at our Quality Operational Review Group.</p>
<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. • Power BI Training – is currently being developed.

Action	Timescale and Status
The external assessment highlighted that the Head of Audit should have regular scheduled meetings with the Chief Executive.	Complete – Formal meetings are scheduled with the Chief Executive every quarter. This will provide an opportunity to brief the Chief Executive on key audit activity and obtain information on any emerging areas of risk or concern.
Whilst the Internal Audit Plan is kept under review and changes made as required throughout the year, the external assessment highlighted a need to formally document changes to the plan and ensure that these are reported to the Corporate Governance and Audit Committee.	Complete – changes to the Internal Audit Plan are now being reported within the quarterly update reports provided to the Corporate Governance and Audit Committee.
Recommendation Tracking (New Action) – to develop a process for reviewing and reporting on the implementation of audit recommendations.	Ongoing – A process has been developed. Initial consultation has provided positive feedback. The next step will involve sharing the proposal with a range of senior officers.

Performance

- 11.2 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 PSIAS.
- 11.3 As we continue to develop and refine our key performance indicators over the year, we will look to incorporate further performance information to demonstrate the effective use of our resources.

12 Head of Internal Audit Opinion

- 12.1 The Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual 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.

12.2 Based on the audit work undertaken in the period, an overall adequate assurance opinion is considered to be appropriate. A summary of our quarterly opinions for the year to date is as follows:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Assurance Opinion	Adequate	Adequate	Adequate	

12.3 Consideration of our overall opinion takes the following into account:

- results from the substantive audit assignments we have completed during the period;
- outcomes from our audit work not producing an assurance opinion;
- an assessment as to the timely implementation of internal audit report management actions.

13 Counter Fraud and Investigations

13.1 The Corporate Governance and Audit Committee receives a separate report summarising the general activities and work plan of the Internal Audit Counter Fraud Team, including both proactive work and fraud and irregularity investigations undertaken.