



Appendix A

Leeds City Council Internal Audit Update Report

Corporate Governance and Audit Committee

24th June 2022

INTERNAL AUDIT UPDATE REPORT 2022/23

1ST March 2022 to 31ST May 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 March 2022 to 31st May 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 2022/23 Internal Audit Plan that was approved by the Committee in March 2022.
 - Unplanned work undertaken in response to emerging risks and priorities.
- 2.3 We have looked at the priorities within the 2022/23 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.

3 Changes to the 2021/22 Internal Audit Plan

- 3.1 No further changes to the 2021/22 Internal Audit Plan have been made since those that were reported to the Committee at the March meeting.

4 Final Internal Audit reports issued

- 4.1 We have issued 11 audit reports (excluding external work) during the period from 1st March 2022 to 31st May 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 March 2022 to 31st May 2022 along with the assurances provided where applicable.

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Adults & Health				
CIS Payments 2021-22	Substantial	Substantial	Minor	Financial Management, Anti-Fraud & Corruption, Information Governance, Safeguarding
Payments to Providers of Home Care Follow Up	Acceptable	N/A	Minor	Financial Management, Contracts & Procurement / Commissioning, Anti-Fraud & Corruption
Deprivation of Liberties Safeguards 21-22 – Follow Up	Substantial	N/A	Minor	Legislative / Regulatory Compliance, Risk Management, Governance & Decision Making, Safeguarding
Review of counter fraud controls within the Direct Payments Audit Team 2021/22	Good	Good	Minor	Financial Management, Value for Money, Legislative / Regulatory Compliance, Anti-Fraud & Corruption
Directorate Risks – Communities, Environment & Housing				

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Anti-Money Laundering arrangements for the Home Ownership Team	N/A Memo Issued			Anti-Fraud & Corruption, Financial Management, Legislative / Regulatory Compliance, Ethics & Culture, Human Resource Management
Asbestos Management	Substantial	Substantial	Minor	Legislative / Regulatory Compliance, Safeguarding, Risk Management, Performance Management, Asset Management
Schools				
Primary School Audit	Limited	Limited	N/A	Financial management, Anti-Fraud & Corruption, Risk Management, Governance & Decision-Making Information Governance
School Voluntary Fund audits x 2	N/A certification of account balances			Legislative / Regulatory Compliance, Financial Management, Governance & Decision Making
School Grant Claim x 2	N/A certification of grant claim			Legislative / Regulatory Compliance, Financial Management, Governance & Decision Making

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 and compliance assurance opinion.

Primary School Audit

- 5.3 During the period a primary school audit was completed where limited assurance was provided for both the control environment and compliance opinion. This audit was requested by the Schools Finance Team due to the deficit position at the school. The audit highlighted gaps in the Governing Body's ability to provide effective challenge during budget setting and budget monitoring. All recommendations have been agreed with the Headteacher and the Chair of Governors, with some recommendations already being implemented to improve the financial governance arrangements.

Follow Up Reviews

- 5.4 Our protocols specify that we undertake a follow up review where we have previously reported "limited" or "no" assurance for the audited area.

Deprivation of Liberty Safeguards (DoLS) follow up

- 5.5 A follow up review has been undertaken of the Deprivation of Liberty Safeguards (DoLS). The key findings of the previous review were that the control environment is not configured in a way to meet the timescales required by the DoLS legislation and that there is limited performance monitoring in relation to DoLS.
- 5.6 Having completed our follow up we can now provide a Substantial Assurance opinion for the Control Environment. We have been able to determine that improvements have been made to the DoLS processes and necessary administrative stages. As the DoLS caseload has increased year on year, our follow up audit has confirmed that these improvements have contributed to the reduction in the number of days between DoLS phases and has contributed to the delivery of a more streamlined administrative service.

Payment to Providers of Home Care follow up

- 5.7 We undertook a review of Payments to Providers of Home Care that identified control weaknesses in relation to the brokering of home care for mental health service users as there was no framework contract in place to select providers from and no or minimal documentation to support the selection of a provider and the agreed rates for the provision of care.
- 5.8 We can now provide Acceptable Assurance for the control environment in relation to payments made for services provided to mental health service users. A framework contract has been procured for all providers of services to working age adults which is expected to be introduced imminently. However, during the period up to review, control weaknesses remain in the

availability of documentation to support the decision process to broker a care package to providers of mental health care detailing both the agreed hours to be provided and rate of pay for the service.

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.
Anti-Money Laundering (AML) arrangements for the Home Ownership Team	A review of the anti-money laundering arrangements in place for the Home Ownership Team.	We were able to provide assurance that there are appropriate and proportionate anti money laundering arrangements in place. The work contributes to assurances in respect of anti-fraud & corruption and legislative / regulatory compliance.
Annex G grant	Grant claim validation work carried out in respect of funding for teaching school programme activity for a primary school.	We were able to confirm the validity of the claim. Assurances were provided that confirmed all expenditure was spent in line with the grant funding agreement.
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

Audit Work Completed	Details	Contribution to assurance
		including financial management and control, risk management, governance and decision making, programme management and contracts and procurement.
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. This has continued to focus on the way in which CPRs can facilitate commercial activity and empower decision making at the appropriate level.
Financial Regulations Review	Contribution to the review of the council's Financial Regulations	The work helps to ensure that the council's Financial Regulations remain up to date and fit for purpose. This has included strengthening the message around outside interests, and bringing other references up to date.
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.
Treasury Management – Data Analytics	We have undertaken the initial work to establish an on-going audit programme to provide timely assurance over the accuracy	Where information was available for the period under review, we can provide assurance that treasury transactions have been correctly

Audit Work Completed	Details	Contribution to assurance
	<p>and completeness of treasury transactions. This tranche of work has included transactions which have occurred since the last audit, March 2020, to January 2022.</p> <p>Once the audit programme is embedded, we will be providing regular reporting of outcomes to the service.</p>	<p>received or paid, including that interest amounts have been calculated correctly.</p> <p>We continue to work towards completion of a wider audit and will be undertaking sample testing where it is not possible to incorporate data analysis to provide assurance on the whole population of transactions.</p>
£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. This has also enabled us to review lessons learned in real time.
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.
Homes for Ukraine	Attendance across various groups to oversee the administration of payments to both sponsors and families under the Homes for Ukraine scheme.	This enables us to provide support and advice around the security and integrity of the payments process, ensuring that controls are

Audit Work Completed	Details	Contribution to assurance
		designed to meet the government guidance and mitigate the risk of fraud or error.
Pre-Payment Cards	Review of alternative arrangements to cash withdrawals on purchasing cards for providing emergency funding to social care clients. This was undertaken at the request of the Chief Officer, Financial Services.	We have made recommendations in relation to changing corporate processes. The work contributes to assurances in respect of financial management and governance.
Adults & Health Transformation Programme	Attendance at a groups within Adults & Health that have been set up to deliver a key area of transformation for the service.	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.
Decision Making Assurances	A regular review of a sample of decisions made to ensure the correct categorisation and the adequacy of supporting information.	This enables to provide assurance that the decision making process is working effectively. Where issues have been identified, these are fed back to the Governance Support Teams where appropriate.

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.
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 Activity	Description
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:

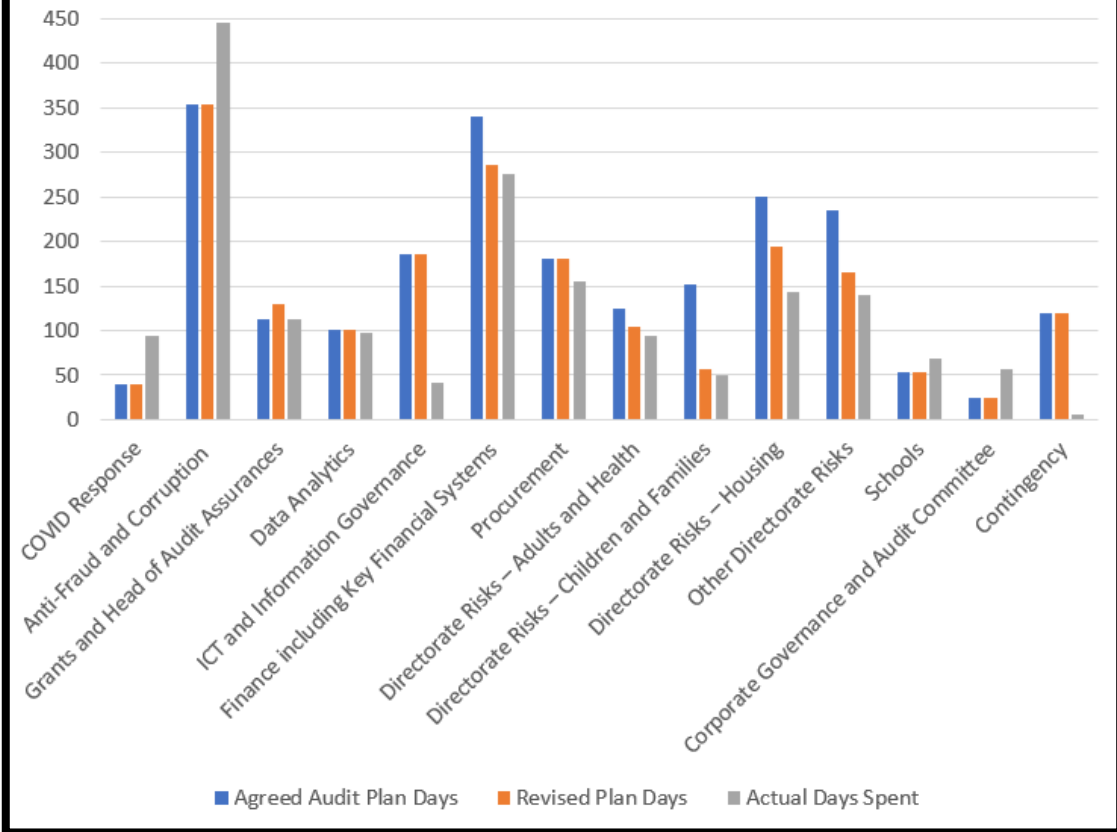
Assurance Block/ Audit Assignment	Fieldwork in Progress	Draft Report	Finalisation
Procurement – Temporary Staff Vetting Contract Review		✓	
Procurement – Management of Off-Contract Expenditure in Parks and Countryside		✓	
Procurement – Semi-Independent Living Contract Review	✓		
Housing – Rents	✓		
Other Directorate Risks – High Value Stock Management			✓
Other Directorate Risks – Employee Outside Interests			✓
Other Directorate Risks – Management of post-covid service backlogs	✓		
Other Directorate Risks – Application of HR Policies – Organisational Culture	✓		
Finance and Key Financial Systems – Capital Programme Central Controls	✓		
Finance and Key Financial Systems – FMS Creditor Purchase and Payment; Central and Directorate Processes		✓	

Assurance Block/ Audit Assignment	Fieldwork in Progress	Draft Report	Finalisation
Finance and Key Financial Systems – Treasury Management			✓
Covid-19 Business Grants	✓		
LTP Block Funding Grant Claim 2022/23	✓		
Contain Outbreak Management Fund Grant 2022/23	✓		

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 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.

Actual vs Planned Days



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 We encourage honest feedback and welcome the opportunity to identify areas where we can improve our service. Whilst the scores received during this timeframe are particularly high, we are confident that these are completed independently and objectively and are an accurate reflection of the perception of our service during the period.
- 10.5 For the period from 1st March 2022 to 31st May 2022 we have issued a total of 13 Customer Satisfaction Questionnaires and received 9 completed returns at a response rate of 69% 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	5.00	5.00	5.00

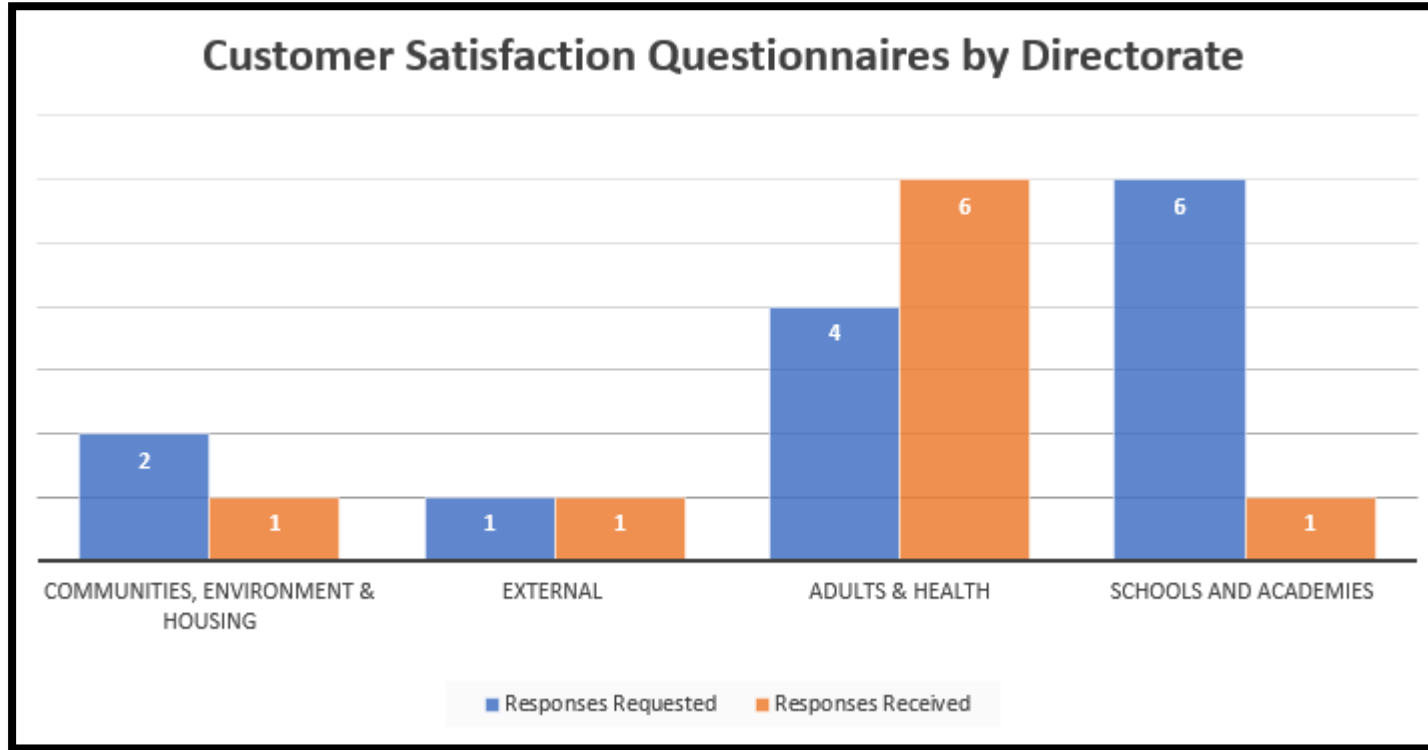
Question	Average Score (out of 5)	Max Value	Min Value
Auditor's understanding of systems	5.00	5.00	5.00
Audit was undertaken efficiently	5.00	5.00	5.00
Level of consultation during the audit	5.00	5.00	5.00
Audit carried out professionally and objectively	5.00	5.00	5.00
Accuracy of draft report	5.00	5.00	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
Prompt issue of final report	4.89	5.00	4.00
Audit recommendations will improve control	5.00	5.00	5.00
The audit was constructive and added value	5.00	5.00	5.00
Overall Average Score	4.99		

“Audits are essential to ensure the correct policies and practices are in place and adhered to”

“Leeds have a really robust system for audit which is transparent, and objectives are clear”

“Alice asked important questions and seemed to grasp what can be complex processes and multiple systems really quickly which really helped us in being able to respond and evidence without having to provide lots of context as she already had a grip of the topic”

“The manner in which the auditor communicated, and feedback was excellent”



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.	Complete – the counter fraud training has been developed and has now been published on the council's Performance and Learning System.
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 communication will be going out to council staff on the counter-fraud training within the coming weeks.
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.
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.

Action	Timescale and Status
<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>Complete – The new Internal Audit Report template has now been completed. This new template will be used as standard for all future audits.</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. • Trainee Skills Matrix – introduced to support the development of trainees.

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.	Complete – The process for recommendation tracking has now been completed and access has been provided to all Chief Officer's and Service Leads.

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	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.