



Appendix A

Leeds City Council

Internal Audit Update Report – Assurance and Consulting Activities

Corporate Governance and Audit Committee

3rd October 2022

INTERNAL AUDIT UPDATE REPORT 2022/23

1ST June 2022 to 31ST August 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 June 2022 to 31st August 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 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.

3 Changes to the 2022/23 Internal Audit Plan

- 3.1 No changes to the 2022/23 Internal Audit Plan have been made since this was reported to the Committee at the March meeting.

4 Final Internal Audit reports issued

- 4.1 We have issued 18 audit reports during the period from 1st June 2022 to 31st August 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 June 2022 to 31st August 2022 along with the assurances provided where applicable.

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Adults & Health				
2020-21 Contain Outbreak Management Fund (COMF) Grant Claim	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption
2021-22 Contain Outbreak Management Fund (COMF) Grant Claim	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption
Local Authority Test and Trace Support Payment Scheme Grant	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption
Universal Drug Treatment Grant	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption
In-Patient Detox Grant	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption
Children & Families				

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Annex G Teaching school Grant	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption
Resources				
Anti-Money Laundering arrangements for the Sundry Income Enforcement Section - 2021/22	N/A – Memo Issued. Assurance provided that there are appropriate and proportionate anti-money laundering arrangements in place. This includes awareness of risk, customer due diligence, record keeping, monitoring, reporting lines, training and general awareness.			Financial Management, Anti-Fraud and Corruption
Anti-Money Laundering arrangements for the Business Rates Section - 2021/22	N/A – Memo Issued. Assurance provided that there are appropriate and proportionate anti-money laundering arrangements in place. This includes awareness of risk, customer due diligence, record keeping, monitoring, reporting lines, training and general awareness.			Financial Management, Anti-Fraud and Corruption
Anti-Money Laundering arrangements for Council Tax	N/A – Memo Issued. Assurance provided that there are appropriate and proportionate anti-money laundering arrangements in place. This includes awareness of risk, customer due diligence, record keeping, monitoring, reporting lines, training and general awareness.			Financial Management, Anti-Fraud and Corruption
Procurement – Employee Outside Interests	N/A – Memo Issued. Assurance provided that a process for identifying and managing the risk of outside interests is appropriately outlines within the council's Contracts Procedure Rules. Recommendations agreed that will further embed the consistent application of the process including communication, gateway review and sample checking.			Human Resources, Legislative / Regulatory Compliance, Governance & Decision Making, Risk and Resilience, Ethics and Culture, Anti-Fraud & Corruption, Financial Management, Value for Money, Procurement, Contracts and Commissioning

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Grant Funding & Investment – Employee Outside Interests	N/A – Memo Issued. Assurance provided that there are appropriate and proportionate measures in place to manage the risk of outside interests within these areas. Recommendation agreed around the reinforcement of obligations within the council’s Financial Regulations.			Human Resources, Legislative / Regulatory Compliance, Governance & Decision Making, Risk and Resilience, Ethics and Culture, Anti-Fraud & Corruption, Financial Management, Value for Money
Communities, Housing, and Environment				
BITMO Assurances 2021-22 – Planned and Programmed Works	Acceptable	N/A	Minor	Performance Management, Risk and Resilience, Health and Safety, Value for Money, Asset Management, Legislative / Regulatory Compliance, Partnerships, Financial Management
Licensing – Employee Outside Interests	N/A – Memo Issued. Assurance provided that there are a number of good controls and practices to support the management of risks around outside interests. Recommendations agreed to bolster these processes through the review of ‘high risk’ posts in line with delegated roles and functions, and the development of supplementary guidance where appropriate.			Human Resources, Legislative / Regulatory Compliance, Governance & Decision Making, Risk and Resilience, Ethics and Culture, Anti-Fraud & Corruption
City Development				
Planning – Employee Outside Interests	N/A – Memo Issued. Assurance provided that there are procedures in place to manage the risks posed by outside interests. Recommendations agreed to promote the regular review and recirculation of guidance across the section as a means of raising awareness of good practices.			Human Resources, Legislative / Regulatory Compliance, Governance & Decision Making, Risk and Resilience, Ethics and Culture, Anti-Fraud & Corruption

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Local Transport Capital Funding 2021-22	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption
Pothole and Challenge Fund 2021-22	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption
National Productivity Investment Fund (Drainage) 2021-22	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption
Cycling City Ambition Grant 1&2 2021-22	N/A certification of grant claim – sample testing provides assurance that the conditions of the grant have been appropriately satisfied.			Financial Management, Anti-Fraud and Corruption

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 and no reviews have been issued with limited or no assurance opinions.

Follow Up

5.3 Our protocols specify that we undertake a follow up review where we have previously reported “limited” or “no” assurance for the audited area. We have not completed any follow up audits during the period.

6 Recommendation Tracking

6.1 As discussed with the committee over the course of the last year we have been introducing a new process aimed at tracking the implementation of high and medium priority recommendations raised within our audit reports. This work is key to helping us understand where controls have been strengthened following our audits and also highlighting areas where we may want to re-visit the activity to ensure actions are being progressed appropriately. Below is a table that shows the number of high and medium priority recommendations raised within each Assurance Block since the start of 2021/22, and the progress that has been recorded against these.

Assurance Block	Number of High and Medium Priority Recommendations	Implemented / Closed	Open Recommendations		% of open recommendations recorded as in progress
			Overdue (Brackets indicate recorded as in progress)	Not due yet (Brackets indicate recorded as in progress)	
Children & Families	9	2	6 (0)	1 (0)	0%
Procurement	18	14	0	4 (4)	100%
Adults & Health	7	5	0	2 (2)	100%
Communities, Housing & Environment	29	8	9 (7)	12 (0)	33%
City Development	7	0	0	7 (3)	43%
ICT and Information Governance	9	3	3 (3)	3 (2)	83%
Finance & Key Financial Systems	28	8	3 (3)	17 (2)	25%
Resources	8	4	1 (1)	3 (3)	100%
Schools	48	43	3 (1)	2 (0)	20%

6.2 The onus is on directorate and service leads to update the trackers and ensure we have accurate information to analyse and report on. It is important to note that this is a new process, and everybody is still adjusting to the way in which this can work most effectively. Where it appears that recommendations are yet to be actioned this may be a reflection of the fact that the process for updating the trackers is still being embedded rather than necessarily indicating that the action hasn't been implemented. We expect that we will be able to see improvements in engagement across all areas as the process continues to take shape, and we will be looking to introduce a sample checking process in the future.

7 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.
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 continue to work 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 risk and contract management.	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.
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 an appropriate means of facilitating emergency procurements.
General audit queries and advice issued	Over the course of the recent period, we have received and responded to a number of queries and requests for advice from departments and service areas. These	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

Audit Work Completed	Details	Contribution to assurance
	have covered a range of themes and areas, including matters relating to procurement and contracting, IT equipment, and purchasing card usage.	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.
£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.
Children & Families Budget Action Plans	This has involved a review of how the Directorate monitors progress against specific action plans. We have also looked at the processes in place to escalate issues if target savings and income projections are unlikely to be achieved.	The work undertaken enables us to provide assurance that budget action plans within the directorate are robust, deliverable and subject to the appropriate level of challenge. Progress against budget action plans is reported to Children and Families Leadership Team. Where action is required, a responsible person is assigned and we found that progress is followed up at subsequent meetings.
Children & Families Special Educational Needs Interim Follow Up	Duplicate payments have been made by the service due to the weaknesses identified in our audit report issued in	We have confirmed that the service has developments in progress which are based on our original recommendations, and we have

Audit Work Completed	Details	Contribution to assurance
	<p>November 2021 and reported to Committee in our December 2021 update.</p> <p>We undertook an immediate review to confirm how the payment arose and the actions being taken to address this.</p>	<p>received assurances that these will now be prioritised for implementation as soon as possible.</p> <p>As a result of this issue, we have agreed further recommendations that will strengthen financial management within the service. We will be undertaking our formal follow up review in November 2022.</p>
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. Recently this has included sample testing on the integrity of payments made to sponsors.	This enables us to provide support and advice around the security and integrity of the payments process, ensuring that controls are designed to meet the government guidance and mitigate the risk of fraud or error. The recent sample testing has enabled us to provide assurance that there are appropriate processes in place to ensure the integrity of payments made to sponsors.
Adults & Health Transformation Programme	Attendance at 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.
Adults & Health Care Reform	Attendance at the programme board overseeing developments required by the Health and Care Act 2022	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 design.

Audit Work Completed	Details	Contribution to assurance
Project Management	Ongoing work to provide support and challenge to the service in the development in the new arrangements for the management of ICT projects.	We have worked alongside IDS on the development of the new arrangements for managing programmes and projects. The work contributes across a range of assurances including project and programme management, governance and decision making and business innovation.

8 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 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.

9 Work in Progress

9.1 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 – Debt Recovery	✓		
ICT & Information Governance – Privileged User Access Follow Up		✓	
ICT & Information Governance – Data Management		✓	
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		✓	
Other Directorates Risks – Business Continuity	✓		
Finance and Key Financial Systems – Capital Programme Central Controls		✓	
Finance and Key Financial Systems – FMS Creditor Purchase and Payment; Central and Directorate Processes			✓
Finance and Key Financial Systems – Treasury Management			✓
Finance and Key Financial Systems – Budget Monitoring and Control	✓		

Assurance Block/ Audit Assignment	Fieldwork in Progress	Draft Report	Finalisation
Primary school audit 1			✓
Primary school audit 2	✓		
Transforming Cities Fund Grant	✓		
Active Travel Fund Tranche 2	✓		
Getting Building Fund	✓		
West Yorkshire Transport Fund Grant	✓		

10 Counter Fraud and Investigations

- 10.1 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.