



Appendix A

Leeds City Council

Internal Audit Update Report – Assurance and Consulting Activities

Corporate Governance and Audit Committee

6th February 2023

INTERNAL AUDIT UPDATE REPORT 2022/23

1ST September 2022 to 31ST December 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 September 2022 to 31st December 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 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 2022/23 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
Directorate Risks – Adults & Health	Adults & Health – Promoting Independence	Added – This is part of the transformation agenda within Adults & Health. Our work will involve attendance at the programme board.
Directorate Risks – Adults & Health	Adults & Health – Care Reform October 2023	Added – This is part of the transformation agenda within Adults & Health. Our work will involve attendance at the programme board overseeing developments required by the Health and Care Act 2022.
Directorate Risks – Adults & Health	Adults & Health – CQC Quality Assurance	Added – This is part of the transformation agenda within Adults & Health. Our work will involve attendance at the group set up to develop the quality assurance framework being implemented to support the new CQC inspection regime.
Directorate Risks – Children & Families	External Residential Placements	Added – This will review the process for placing Children Looked After in residential placements outside of the Leeds area to provide assurance that that the most appropriate setting has been made to meet the needs of the individual whilst also achieving Value for Money for the Council
Finance & Key Financial Systems	Orders & Invoice Processing	Added – Work will be undertaken to look at how the arrangements in place for order and invoice processing are working in areas identified as particularly high risk. The time taken to complete this work will be taken from the Financial Challenge area of the 2022/23 plan and will be used to contribute directly to assurances in this area.

Directorate/Service	Audit Assignment Title	Deferred / Added / Removed
Procurement	Scaffolding Contract Review	Added – This area has been selected following a recent risk assessment and will form part of Contract Management work detailed within the 2022/23 plan.
Directorate Risks – Adults & Health	Telecare	Deferred – There have been delays within the service in implementing the new packages and processes. This has been deferred for consideration for inclusion in the 2023/24 plan to allow time for the processes to embed. Some assurance over this process has been gained through the inclusion of this work within the Income Recovery project attended by Internal Audit (refer to the other work section).
ICT and Information Governance	Digital Road Maps	Deferred - This relates to the ongoing work being done on IDS governance and the support being provided to the Portfolio Management Office. To defer for consideration for inclusion in the 2023/24 plan.
Directorate Risks – Children & Families	Little Owls Commercial Review	Removed – This time was to provide support to the project being set up to review Little Owls. This has been superseded by the Task & Finish group set up by the Chief Officer – Financial Services. Proposals have been taken to the Executive Board in December 2022. We will consider this as an area for review in the 2023/24 internal audit plan.

Directorate/Service	Audit Assignment Title	Deferred / Added / Removed
Other Directorate Risks – City Development	Highways DLO	Removed – The service is undertaking their own work in this area and outcomes are to be reported to the Chief Officer in January 2023. We will consider this as an area for review in the 2023/24 internal audit plan.

4 Final Internal Audit reports issued

- 4.1 We have issued 26 audit reports during the period from 1st September 2022 to 31st December 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 September 2022 to 31st December 2022 along with the assurances provided where applicable.

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Finance and Key Financial Systems				
Treasury Management	Substantial	Substantial	Minor	Financial Management, Performance Management, Legislative / Regulatory Compliance, Governance & Decision Making, Risk & Resilience, Value for Money, Anti-Fraud and Corruption
FMS Creditor Purchase and Payment; Central and Directorate Processes	Substantial	Good	Minor	Financial Management, Performance Management, Business Innovation and Development, Legislative / Regulatory Compliance, Anti-Fraud and Corruption
Capital Programme Central Controls	Substantial	N/A	Minor	Financial Management, Governance & Decision Making, Anti-Fraud and Corruption
Other Directorate Risks – City Development				
High Value Stock Management	Acceptable	N/A	Minor	Asset Management, Financial Management
Transforming Cities Fund	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption
Active Travel Fund	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption
Getting Building Fund	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption
West Yorkshire Plus Transport Fund	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Bus Operators Grant	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption
National Productivity Investment Fund Specific Grant Determination Cycle Superhighway	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption
Growth Deal	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption
Active Travel Fund	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption
Other Directorate Risks – Communities, Housing & Environments				
Disabled Facilities Grant 2021/22	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption
Green Homes Grant	N/A certification of grant claim			Financial Management, Anti-Fraud and Corruption
Other Directorate Risks – Resources				
Employee Outside Interests	Acceptable	N/A	Moderate	Human Resources, Legislative / Regulatory Compliance, Governance & Decision Making, Risk and Resilience, Ethics and Culture, Anti-Fraud and Corruption, Financial Management, Value for Money

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
HR Recruitment & Selection – Employee Outside Interests	N/A - Memo			Human Resources, Legislative / Regulatory Compliance, Governance & Decision Making, Risk and Resilience, Ethics and Culture, Anti-Fraud and Corruption, Financial Management, Value for Money
Procurement				
Semi Independent Living Contract Review	Acceptable	N/A	Minor	Performance Management, Risk and Resilience, Financial Management, Procurement, Contracts and Commissioning, Social Value, Anti-Fraud and Corruption, Value for Money, Governance and Decision Making, Legislative / Regulatory Compliance
Schools				
School Voluntary Fund x 7	N/A certification of account balances			Financial Management
Primary School Audit 1	Acceptable	Limited	N/A	Financial Management, Anti-Fraud and Corruption, Risk and Resilience, Governance & Decision Making.
Primary School Audit 2	Acceptable	Limited	N/A	Financial Management, Anti-Fraud and Corruption, Risk and Resilience, 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 and no reviews have been issued with no assurance opinions.
- 5.3 Two primary school audits resulted in a limited opinion being provided for compliance with controls. In both schools the main weaknesses were around compliance with procedures for creditor payments and the management of the school voluntary fund, and in one school there were also weaknesses found with payroll procedures. Schools finance referred one of these schools for consideration in our risk based plan due to concerns they had, and a Headteacher at another school sought an audit due to concerns they had. The Headteachers at both schools agreed to implement all the recommendations raised during the audits and the implementation of these will be reviewed as part of follow up audits in 2023/24.

Follow Up

- 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. 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.
- 6.2 Members have requested indicative information on how long recommendations had been overdue. We are currently evaluating ways of risk rating recommendations that would provide meaningful reporting to the committee. We will update the committee on our progress in this area.

Assurance Block	High & Medium Priority Recommendations				
	Total Number	Number Implemented / Closed	Open Recommendations		
			Number Overdue (Brackets indicate recorded as in progress)	Number Not due yet (Brackets indicate recorded as in progress)	% recorded as in progress
Children & Families	9	7	2(0)	0	0%
Procurement	18	18	0	0	N/A
Adults & Health	10	7	0	3 (0)	0%
Communities, Housing & Environment	40	24	16 (7)	0	44%
City Development	7	2	3 (3)	2 (2)	100%
ICT and Information Governance	9	4	2 (2)	3 (3)	100%
Finance & Key Financial Systems	30	14	11 (8)	5 (0)	50%
Resources	26	7	5 (2)	14 (7)	47%
Schools	92	66	15 (1)	11 (0)	4%

6.3 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 we continue to embed the process within the service and directorates. We are proactively obtaining feedback and continuing to use this in the ongoing development of the process. 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 have continued to work alongside financial services on the continuing development and evolution of a range of financial 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.	We have continued to work with PACS looking at the ongoing development of user-friendly and proportionate Contracts Procedure Rules. This work is vital to ensuring that arrangements are in place to support the authority in meeting legal and regulatory requirements.

Audit Work Completed	Details	Contribution to assurance
Financial Regulations Review	Consultation on the review of the council's Financial Regulations.	We have carried out work to contribute to the ongoing review of Financial Regulations including issues relating to content and ownership. The work is important in providing assurance and oversight in respect of key areas of the financial control environment.
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 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.
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.
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.

Audit Work Completed	Details	Contribution to assurance
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.
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		✓	
Adults & Health – Deputy & Appointeeships		✓	
Children & Families – Special Educational Needs Follow Up	✓		
Children & Families – No Recourse to Public Funds Follow Up	✓		
ICT & Information Governance – Privileged User Access Follow Up			✓
ICT & Information Governance – Data Management			✓
Procurement – Management of Off-Contract Expenditure in Parks and Countryside			✓
Housing – Rents			✓
Other Directorate Risks – Management of post-covid service backlogs	✓		
Other Directorate Risks – Application of HR Policies – Organisational Culture			✓
Other Directorate Risks – Business Continuity	✓		
Other Directorate Risks – Risk Management	✓		
Other Directorate Risks - Homes of Multiple Occupancy	✓		

Assurance Block/ Audit Assignment	Fieldwork in Progress	Draft Report	Finalisation
Other Directorate Risks – Supported Living Accommodation	✓		
Finance and Key Financial Systems – Budget Monitoring and Control	✓		
Finance and Key Financial Systems – Income Management System	✓		
Finance and Key Financial Systems – Orders & Invoice Processing	✓		
Finance and Key Financial Systems – Connect	✓		
Primary school audit			✓
High school audit	✓		
School Voluntary Fund Audits x 3	✓		

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.