



Appendix A

Leeds City Council

Internal Audit Annual Report

Opinion and Work Completed 2022-23

Corporate Governance and Audit Committee

24th July 2023

INTERNAL AUDIT ANNUAL REPORT AND OPINION 2022/23

1 The Annual Reporting Process

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive (*for the purposes of this report this title will refer to the Senior Head of Audit, Corporate Governance and Insurance*) to deliver an Annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement. The Annual Internal Audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and must incorporate:
- the opinion
 - a summary of work that supports the opinion
 - a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme
- 1.2 This report is the culmination of the work performed by Internal Audit to fulfil the 2022/23 Internal Audit Plan objectives and provides the Chief Audit Executive opinion based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

2 Organisational Independence

- 2.1 The PSIAS require the Chief Audit Executive to confirm to the Corporate Governance and Audit Committee at least annually, the organisational independence of the Internal Audit activity. The Internal Audit Charter and the Council's Financial Regulations reinforce this requirement.
- 2.2 The Internal Audit Charter specifies that the Chief Audit Executive must report to a level within the Council that allows Internal Audit to fulfil its responsibilities.
- 2.3 The Authority's Financial Regulations state that the Chief Audit Executive 'must be able to report without fear or favour, in their own name to the Chief Executive, the Executive Board, the Corporate Governance and Audit Committee and the scrutiny function.'
- 2.4 Appropriate reporting and management arrangements are in place within LCC, including direct access to the Chief Executive and the Chair of the Audit Committee, which preserve the independence and objectivity of the Chief Audit Executive.

Declaration of independence and objectivity

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

Chief Audit Executive

3 Opinion 2022/23

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

Chief Audit Executive Opinion for 2022/23

The combination of audit work, including specific assurance reports and other auditing activities undertaken for the delivery of the 2022/23 Internal Audit plan, leads to a conclusion that the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.

Audits have highlighted a range of opportunities to further strengthen the control environment and we have worked with services to foster a culture of continual reflection and improvement. Where these audits have resulted in ‘Limited Assurance’ opinions, and we have highlighted weaknesses that may present risk to the Council, we have agreed recommendations to further improve the arrangements in place and we have developed a process for tracking implementation. Whilst limited opinions have demonstrated the robust challenge that the internal audit function offers to the individual system areas that have been reviewed, the weaknesses identified are not material enough to have a significant impact on the overall opinion on the adequacy of the Council’s governance, risk management and control arrangements at the year end. We have continued to draw assurances from our role in providing challenge offered across a number of key programmes and projects across the authority. As a result, a **satisfactory** overall opinion is provided for 2022/23, based on the audit work detailed within this report, including both a range of audits and other value-adding activities.

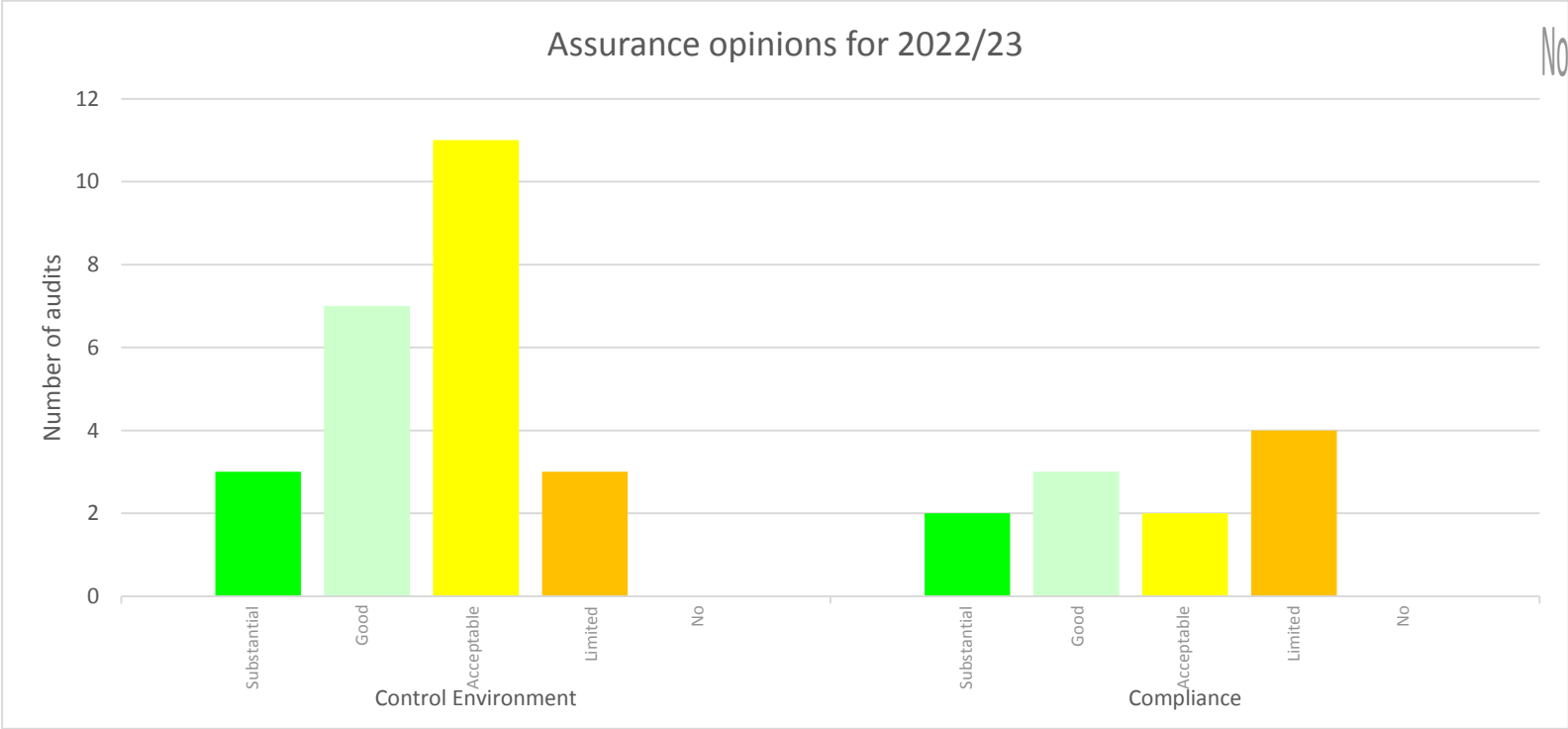
- 3.2 It is important that senior managers remain alert to, and focused on, maintaining an appropriate, risk-based and effective framework of controls as the Council looks to transform service delivery through the delivery of an ambitious Medium Term Financial Strategy and a number of associated change programmes.
- 3.3 The audit work undertaken and planned for the current year has sought to consider the change in risk appetite necessary to embrace and implement such significant change at a time when resources are limited. Although the overall assurance opinion is satisfactory, it is essential that senior management retain a focus on embedding new and revised operational and governance arrangements in response to the ongoing financial challenge, including the additional impact arising from the Cost-of-Living Crisis.
- 3.4 The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

4 Basis of Assurance

- 4.1 The annual opinion on the adequacy and effectiveness of the control environment for 2022/23 is based on the findings and assurance provided by the totality of Internal Audit activity, including the schedule of reviews undertaken throughout the year. The schedule of reviews for 2022/23 was prepared using a risk-based audit planning approach and was approved by the Corporate Governance and Audit Committee in March 2022.
- 4.2 As this is a risk-based plan, it includes an allocation for unplanned work through a contingency. As requests for audit work are received, or changes in priorities are identified, resources are allocated through 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. All material changes that have been made to the 2022/23 Internal Audit plan have been reported to the Corporate Governance and Audit Committee through our regular update reports.
- 4.3 The schedule of reviews includes audit work that has resulted in an audit report and other audit work which, whilst not culminating in the issue of a formal report, has enabled us to provide ongoing oversight and advice in respect of internal control, governance and transformational activities. A summary of all reports issued and other audit work on which this opinion is based can be found in Appendix C of this report.
- 4.4 Where the audit work results in an audit report, this provides, where appropriate, an assurance opinion. Depending on the type of audit review undertaken, assurance opinions may be assigned for the control environment, compliance and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the system under review not being achieved. A compliance opinion may also be provided for the

area under review if assurance on the extent to which the controls are being complied with is required. Assurance opinion levels for the control environment and compliance are categorised as follows: substantial (highest level), good, acceptable, limited and no assurance.

- 4.5 Organisational impact is reported as either: major, moderate or minor. Any reports issued with a major organisational impact would be reported to the Corporate Leadership Team along with the relevant directorate’s agreed action plan. There have been no reports issued with a major organisational impact in 2022/23.
- 4.6 The graph below provides a high-level overview of the assurance opinion levels provided for the audits that we have completed during the year, including those that are substantially complete as referenced in Appendix C.



Key Financial Systems

- 4.8 The key financial systems audits are reviews of the Council's core financial functions. We review these functions to provide assurance that the financial systems that are fundamental to the Council's operations remain effective and working well in practice. The Public Sector Internal Audit Standards require Internal Audit to set a risk-based plan to determine the priorities of the Internal Audit activity and therefore this approach has been applied to our coverage of the key financial systems audits.
- 4.9 Our reviews of the key financial systems support the opinion that the Council has effective financial governance, risk management and internal control arrangements in place. In addition, they also support the assertions made by the Section 151 Officer in their Annual Assurance report that is also being presented to the Corporate Governance and Audit Committee. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that these controls continue to work well in practice. Our role within the Core Business Transformation Programme has taken on increasing importance as we look to provide assurance that financial control and governance is appropriately considered within the introduction of the new core systems.

Procurement

- 4.10 Our positive working relationship with Procurement and Commercial Services (PACS) means that we are consulted on procurement processes and controls throughout the year. Specifically, we have provided assurances around the management of Semi-Independent Living contract. In responding to risks as they arise, we have also embarked on reviews in other areas of contract management activity across the authority and have fed back our insights and discussed these with the services involved and the PACS management team. Our risk-based procurement activity has also prompted us to look at areas of off-contract spending and the arrangements in place to review and address this in accordance with the aims of the Procurement Strategy. This has resulted in positive dialogue across key stakeholders to drive appropriate oversight and challenge.
- 4.11 Through our ongoing role in the Core Business Transformation Programme, we remain involved in reviewing the Council's end to end purchasing systems and the way in which procuring on contracts can be encouraged by greater integration within the ordering and payment system. We have also continued to participate in a working group looking at the most effective ways of embedding good contract management practices across the authority in a proportionate and consistent manner. Changes to the way in which contract management information is recorded and monitored have been implemented, and PACS are actively engaged in efforts to raise awareness of good practice and ensure this is consistently embedded.

Directorate Risks

- 4.12 We have undertaken audits that provide assurance on governance, risk management and internal control arrangements across a range of operational and directorate risk areas during the year. Our work has had links to risks relating to safeguarding, health and safety, finance, compliance with legislation and internal procedures and a range of other risks that may affect the achievement of Council and directorate priorities.
- 4.13 Our audit work has provided assurances around processes that underpin the Council's core values and behaviours. We have also focussed attention on high profile areas of legislative and regulatory responsibility. Our recommendations have been positively received by service areas and in some cases, these were actioned during the course of the audit.
- 4.14 Coverage across directorates has included a significant piece of work on Organisational Culture which was undertaken at the request of the Chief Executive. This audit carried a particular focus on the arrangements in place to embed the council's values and behaviours across all areas of activity. The audit recognised the wealth of actions already initiated and established, whilst recognising the fact that there is still lots of work to do to further embed these, measure their impact and draw upon data available to proactively seek out red flags and indicators of areas that may require intervention. Recommendations have been agreed that will further strengthen the arrangements in place to embed the values and behaviours across all areas of activity. We have also substantially completed an audit of the Council's risk management arrangements which are fundamental to ensuring a robust and proportionate control environment. We meet regularly with the Council's risk management lead which enables sharing of information and insight to promote effective management of risk.
- 4.15 We have contributed directly into several projects and working groups across the Council to provide a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in any service redesign. Attendance at these meetings also enables us to build intelligence and have greater insight regarding emerging risks. In particular we have been involved in the development of the new processes required to deliver the government initiatives in relation to the £150 Energy Bill Support Scheme and Alternative Fuel Scheme and the Homes for Ukraine scheme. We have also attended the Adults & Health Income Recovery Board and the Children & Families Delivery Board.
- 4.16 As part of our audit work, we have delivered critical reviews including a limiting assurance report into Adult and Health Debt Recovery process and a review of Finance Policies and Use of Section 17 Fund within Children & Families.
- 4.17 The opinion over the controls in the Children & Families Directorate has primarily been arrived at through the range of work that has been undertaken by Internal Audit (outlined in Appendix C) and through other independent sources of assurance as

detailed below. This reflects our agile approach to auditing which enables us to focus on emerging risk areas and gain assurance from alternative sources in the areas of activity identified in our risk-based plan.

- 4.18 In May 2022 Ofsted completed a full inspection of children's services and provided an overall opinion of 'outstanding', with an 'outstanding' rating for the effectiveness of leaders and 'good' for the experiences and progress of children who need help and protection. The full inspection included reviewing processes in relation to safeguarding that were included in the proposed internal audit coverage.
- 4.19 The Scrutiny Annual Report to Council has highlighted the Children and Families Scrutiny Board has been involved in the following work that links to reviews that were planned by Internal Audit during the year:
- an inquiry into 'Exclusions, Elective Home Education and Off-Rolling
 - an update on the Leeds Safeguarding Children Partnership following notification of serious child safeguarding incidents review.
- 4.20 Members of Internal Audit have also provided challenge and support to the Directorate in relation to governance and decision making for a number of key areas including the commercial review of the Little Owls service and fostering and placements.
- 4.21 We have continued to provide an audit programme at schools that is driven by a robust risk assessment process that enables us to focus on opportunities to add value and strengthen controls.

Information Governance and ICT

- 4.22 The mitigation of Information Governance and ICT risks remains a significant priority for the Council. Assurances have been directly provided to the Committee by the Chief Digital & Information Officer (CDIO) and the Information Governance team during the year. The CDIO provided assurance in relation to the management and control mechanisms supporting the successful ongoing delivery of the Integrated Digital Services (IDS) service provision. The Information Governance team provided assurance on the effectiveness of the Council's information management and governance arrangements: that they are fit for purpose, up to date, are routinely complied with, have been effectively communicated and monitored and the necessary confidentiality arrangements are in place regarding the Caldicott Guardian element.
- 4.23 This year we have continued to work closely with the service across a range of on-going activities. This has included working with the service to review their governance structures to ensure that they are appropriate. We continue to be significantly involved in the Core Business Transformation Programme, Office of Data Analytics and Information Assurance Board. In

addition, we have supported the development of an assurance approach with the IDS Portfolio Management Office, including arrangements for quality assurance.

4.24 Our audit and assurance coverage has included continued work in relation to Cyber Security. From an audit perspective, we have undertaken the follow up audit in relation to Privileged User Access and although we have yet to formally report the findings from our review, the field work has been completed. We have held positive discussions with senior management within the service to raise awareness of and address the areas in which the control environment needs strengthening.

4.25 *Data Analytics*

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

4.27 A portion of our data analytics portfolio has continued to be directed towards aiding the continued development of financial dashboards as part of the Council's Core Business Transformation Programme. The dashboards are a key part of the transformation of the financial service. Our work in this area demonstrates the adaptability of the team in supporting the ongoing achievement of the Council's ambitions alongside our programme of assurance work.

4.28 In recognition of our ambition to continually improve our use of data analytics, we outlined our vision and aims in a Data Analytics Strategy. We have evaluated our current data analytics capabilities, highlighting both strengths and weaknesses, and produced an action plan directed towards increasing our data analytics maturity level.

Limited Assurance Opinions, Follow Up Work and Recommendation Tracking

4.29 The following section provides a summary of the audits that included a limited assurance opinion, either overall or in relation to a specific objective. This section also provides a summary of our follow up work. A key factor in our determination of the overall audit opinion at the end of the year is the extent to which senior managers have implemented audit recommendations and responded to the risks highlighted through our work. Positive responses from management and a demonstrable commitment to continual improvement are important indicators of an appropriate culture and robust control environment. Our follow up work has supported the overall satisfactory opinion for 2022/23 whilst limited opinions demonstrate the robust challenge offered.

Limited Assurance Opinions

- 4.30 In April 2023 we completed a review of the Debt Recovery Arrangement within Adults and Health. The objective of this review was to provide assurance as to whether the Adults and Health Debt Recovery processes are effective and fit for purpose in preparation for the Social Care Reforms expected in October 2025 and change in the payments for residential care from net to gross. This provided limited assurances for the control environment due a number of significant weaknesses identified in the current debt recovery process, including the absence of a specific service level agreement between Adults and Health and Sundry Income for the debt recovery process for Adults and Health service users. The recommendations detailed within the report have been agreed by the service.
- 4.31 During the year three separate primary schools received limited compliance opinions. In these audits the main weaknesses were around compliance with procedures for creditor payments and the management of the school voluntary fund. 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 all three 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 Work

- 4.32 We completed a follow up audit in relation Housing Leeds – Lettings. The original audit found that the change of system has presented a number of reporting issues resulting in the lack of regular quarterly reporting on the housing register and lettings performance and quality assurance processes. Our follow up work noted that these recommendations had been largely implemented but were still to be fully embedded at the time of the review.
- 4.33 We completed a follow up audit in relation Houses of Multiples Occupancy which focussed on the processing of applications for HMO licences, the review found licences have been processed in line with legislation and significant progress has been achieved towards the development and implementation of a Quality Assurance and Improvement programme (QAIP) for this part of the HMO licensing process. Further work is included in 2023/24 audit plan which will focus on the process for undertaking property inspections.
- 4.34 For one of schools noted in 4.31 above a follow up audit has been undertaken resulting in an overall acceptable opinion as there has been some improvement to the compliance with the control environment and we have been able to provide assurance that some of the recommendations that were raised previously, had been implemented. However, some recommendations remain outstanding particularly in relation the School Voluntary Fund.

Recommendation Tracking

- 4.35 As discussed with the committee over the course of the last year we have been introducing a 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 highlighting areas where we may want to re-visit the activity to ensure actions are being progressed appropriately.
- 4.36 Below is a table that shows the number of high and medium priority recommendations raised within each Assurance Block from the start of the recommendation tracking process up to the end of 2022/23, 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	17	9	8 (0)	0	0%
Procurement	18	18	0	0	N/a
Adults & Health	10	7	2 (0)	1 (0)	0%
Communities, Housing & Environment	44	30	10 (2)	4 (4)	43%
City Development	7	4	3 (3)	0	100%
ICT and Information Governance	9	4	5 (5)	0	100%
Finance & Key Financial Systems	30	16	14 (6)	0	43%
Resources	44	23	7 (7)	14 (9)	76%
Schools	99	84	12 (0)	1 (0)	0%

- 4.37 Whilst there are several recommendations not yet completed, the trackers have enabled the relevant services to provide updates. For example, there are a number of recommendations that are being held until restructuring has been completed in

the associated service areas. The updates provide us with assurance that these recommendations are still on the radar of those with responsibility for implementation.

- 4.38 The onus is on directorate and service leads to update the trackers and ensure we have accurate information to analyse and report on. Whilst the recommendation tracking process still requires some further embedding, and we are looking at ways to improve each area of the process, we are seeing some positive trends in the number of recommendations recorded as implemented or in progress. Our Quality Assurance and Improvement Programme includes actions aimed at automating the process of gathering data on implementation, and we are also working on smarter ways of reporting on the information in response to feedback provided by Members. We will be looking to introduce a sample checking process in 2023/24.

Other Audit Work

- 4.39 During the year we have been involved in a wide range of other audit work. The following section provides a summary of the key areas of this work. A detailed description of the work completed can be found in Appendix C of this report.
- 4.40 **Independent oversight, check and challenge** regarding work practices and proposed changes to services and offering advice regarding the management of potential risk and control risks. We have attended nine of these workstreams and boards and have been able to gain assurance regarding governance and decision-making processes.
- 4.41 In relation to the **Core Business Transformation Programme**, we have been providing ongoing review, advice and challenge to Programme Board, ensuring that working practices are fit for purpose and providing oversight regarding the procurement process. This work contributes across a range of assurances including financial management and control, risk management, governance, decision-making and business innovation.
- 4.42 We have reviewed **anti-money laundering arrangements** in place for Land & Property. This work has contributed to overall assurances in respect of anti-fraud and corruption and legislative / regulatory compliance.
- 4.43 A regular review is undertaken of a sample of decisions to ensure that there is the correct categorisation and there is adequacy of supporting information. This area contributes to **assurances relating to decision making processes**.

5 Anti-Fraud and Corruption

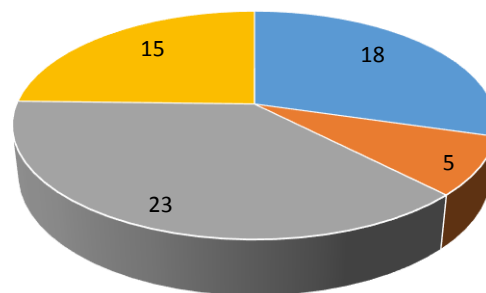
- 5.1 Leeds City Council is committed to the highest standards of openness, probity and accountability. To underpin this commitment, the council takes a zero-tolerance approach to fraud and corruption and is dedicated to ensuring that the organisation operates within a control environment that seeks to prevent, detect and take action against fraud and corruption.

- 5.2 As custodians of the council's anti-fraud and corruption policy framework and owners of the fraud and corruption risk, Internal Audit adopts an overarching responsibility for reviewing the council's approach to preventing and detecting fraud. In addition to Internal Audit, there are several specialist teams and services across the council that undertake counter-fraud/overpayment work, these include:
- Housing and Tenancy Fraud
 - Blue Badges (Disabled Parking Concessions)
 - Council Tax Support / discounts and Housing Benefits
 - Direct Payments
- 5.3 The anti-fraud and corruption work undertaken includes both proactive anti-fraud and corruption activities (fraud strategies) and reactive work (investigations). The team takes a risk-based approach to ensure the risk of fraud is managed effectively with available resources. Proactive fraud exercises, data analytics work and participation in the National Fraud Initiative (NFI) provide assurance that the authority is taking positive action to detect potential fraud and prevent its recurrence.
- 5.4 The council's Whistleblowing Policy sets out the means by which serious concerns can be brought to the attention of the council. The Whistleblowing Policy is available on the intranet and internet and encourages anyone who has serious concerns about any aspect of the council's work, to come forward and voice those concerns, and for employees to do so without fear of reprisal.
- 5.5 Internal Audit are also the custodians of the Anti-Bribery and the Anti Money Laundering Policies. The purpose of the Anti-Bribery policy is to maintain the high standards of conduct which currently exist across the council by preventing or identifying bribery. The Anti-Money Laundering Policy sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements within the council. During the year the Anti Money Laundering Policy was reviewed against best practice, updated and promoted on the council's website and Insite during the year. The promotion and accessibility of these policies helps the council to be responsive for emerging risks that are identified.

Reactive Anti-Fraud Work

- 5.6 From 1st April 2022 to 31st March 2023, we received a total of 61 potential irregularity referrals (45 in 2021/22). All reported irregularities were risk assessed by Internal Audit and either investigated by ourselves, the relevant directorate or HR colleagues, as appropriate. Where the matter was referred to directorates or HR for investigation, we have made follow up enquiries to ensure all aspects of the referral have been addressed. The following pie chart summarises the number of referrals received by Internal Audit in the period by referral route.

Referrals received in 2022-2023 by person raising concerns



■ Whistleblower ■ Anonymous ■ Member of the public ■ Other

5.7 The referrals received through the 'other route' relate to those shared by external agencies, for example the National Anti-Fraud Network, or other council services seeking advice or assistance. The 61 referrals covered a multitude of issues which are summarised in the table below.

Description of referrals received	Directorate					Total
	Adults and Health	Children and Families	City Development	Communities Housing & Environment	Strategy & Resources	
Payroll & Recruitment Fraud		1		3		4
Economic and voluntary sector support fraud (Covid and other grants)	1		1	1		3
Safeguarding		1				1
Social Care Fraud	1					1

	Directorate					
Description of referrals received	Adults and Health	Children and Families	City Development	Communities Housing & Environment	Strategy & Resources	Total
Staff conduct	1	2		3	1	7
Health and Safety			1			1
Corruption/ maladministration		1		1		2
Bribery of an officer			1			1
Theft		1	1	4	3	9
Procurement fraud, mandate and purchasing cards	2		1		3	6
Non-compliance with policies and procedures		4	2		1	7
Cheque Fraud		1				1
Payment evasion				1		1
Insurance					1	1
Value for Money		1			1	2
Housing tenancy – RTB, abandonment, sub-letting, succession				8		8
Misuse of council funds			1	3	2	6
Total	5	12	8	24	12	61

Closed Referrals

5.8 A total of 50 referrals were closed during the year. The outcomes are shown in the table below by directorate. Where appropriate, the investigation report included recommendations for improvement. These figures include some referrals that were received in the previous financial year. In the new financial year, when investigations are closed, we will be seeking feedback from whistleblowers regarding their experience of raising concerns in the workplace.

Referral type	Adults & Health	Children & Families	City Development	Communities Housing & Environment	Strategy & Resources	Total
Economic and voluntary sector support fraud (Covid and other grants)	1 Not proven		1 Proven legal action being taken to recover funds £3k	1 proven & steps taken by service to strengthen controls 1 no fraud but steps taken by service to strengthen controls	2 Covid grants being recovered	6
Payroll and recruitment fraud				1 Not proven	1 Proven employee resigned	2
Staff conduct	1 Unable to prove/ disprove. Steps taken by service to strengthen controls			1 Not proven 2 Addressed under another council policy	1 Addressed under another council policy	5
Corruption/ maladministration		1 Not proven		1 Not proven	1 Not proven	3
Theft			1 No loss suffered, control environment strengthened	3 Not proven 1 Proven & steps taken by service to strengthen controls & reported to the police	1 Not proven 1 Not proven recommendations raised	7

Referral type	Adults & Health	Children & Families	City Development	Communities Housing & Environment	Strategy & Resources	Total
Cheque fraud		1 Proven bank refunded monies £100 1 Proven Monies fully recovered £4k				2
Mandate fraud	1 Proven – fraud prevented £5.8k				2 frauds prevented 1 fraud proven recovery action being taken £2.4k	4
Non-compliance with policies and procedures		1 Not proven	1 Proven & steps taken by service to strengthen controls		2 Not proven	4
Misuse of council funds			1 Not proven	1 Unable to prove/ disprove steps taken by service to review controls		2
Bribery of Council officer			1 Not proven (referred to police and no further action taken)			1
Payment evasion				1 Referred to external investigative body to investigate		1

Referral type	Adults & Health	Children & Families	City Development	Communities Housing & Environment	Strategy & Resources	Total
Insurance					1 Claim discontinued	1
Health and Safety			1 addressed under another council policy	1 Proven & steps taken by service to strengthen controls		2
Value for money		1 Addressed under another council policy			1 Addressed under another council policy 1 Not proven	3
Safeguarding		1 Not proven				1
Tenancy fraud				5 Not proven 1 Proven (housing application fraud prevented)		6
Total	3	6	6	20	15	50

5.9 The table below compares the number of referrals received by financial year. The referrals received during 2020-21 were higher than those in other years, most notably due to concerns being raised regarding covid business grants and other covid related activity. There has been an increase in referrals received in the 2022/23 financial year. This could be attributable to a number of factors, including the increased communication and awareness raising of the channels to raise concerns, the uptake of the fraud awareness training, and the establishment of a Freedom to Speak Up Guardian. We are reviewing the

outcomes of the referrals received in the 2022-23 year and will use this analysis to feed into our targeted proactive reviews during 2023-24.

2019-20	2020-2021	2021-2022	2022-2023
46	74	45	61

Proactive Anti-Fraud Work

- 5.10 To help ensure that there is an effective counter fraud culture in place within the council, we included time in the counter fraud block of the Internal Audit Plan to undertake proactive fraud reviews. These reviews consider areas identified through various methods, including the use of best practice publications and our internal risk assessments. We undertake horizon scanning and liaison with established internal and external contacts throughout the year to identify emerging frauds and risk areas, to ensure that we take any mitigating actions promptly.

Employee outside interests

- 5.11 The Fighting Fraud and Corruption Locally 2020 Strategy sets out the importance of having robust arrangements in place for the register of interests to reduce the risk of employee fraud or bribery taking place within a process. This also helps to address the risk of an undue/outside influence over a decision. A significant piece of work was therefore undertaken on employee outside interests. This has looked at the processes in place to manage the risks posed by outside interests, reviewing both the exercises co-ordinated centrally that covers all employees in 'high risk' posts, and the various supplementary activities that are in place within areas of significant risk across the Council. A number of recommendations were made, some of which lend themselves to consideration within the Council's ongoing Core Business Transformation Programme. We have also agreed a number of more immediate actions within those directorates and service areas that are exposed to an increased level of risk due to the day-to-day activities they are involved in.

Bank Mandate Proactive Review

- 5.12 We have continued to proactively seek new ways to ensure staff within Directorates are aware of their responsibilities in this area. This has included a targeted communication sent to managers around the importance of staff following procedures. We will be requesting that all existing FMS users with specific access rights complete the fraud awareness training. We have agreed with management that the fraud awareness training will be completed prior to a new user being granted access to

update creditor bank details in FMS (this is restricted access). These steps should increase awareness of the fraud risks facing the council and further promote the importance of following procedures to prevent fraud.

Schools Purchasing Cards Review

- 5.13 A review on purchasing card spend at schools has commenced, where the card authoriser (or coding delegate) is in a less senior position than the cardholder, and therefore potentially not in a position to challenge expenditure, in order to provide assurance that the purchases are appropriate for the school.

National Fraud Initiative (NFI)

- 5.14 As part of our proactive anti-fraud work, we take part in the National Fraud Initiative (NFI). The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Where a match is found it may indicate that there is an inconsistency which requires further investigation to determine whether fraud or error has occurred, or if there is another explanation for the match. Relevant teams within the Council (for example, Internal Audit, Welfare & Benefits, Housing and Tenancy Fraud) have been working through the matches on a risk basis.
- 5.15 Internal Audit has overall responsibility for monitoring the progress of this exercise and ensuring that the NFI system is updated. Twenty errors have been identified resulting in the recovery of £40,608¹.

Covid 19 Business Grants

- 5.16 During the year, Internal Audit continued to review and provide information on cases that we were asked to investigate by external bodies. The Business Rates Section has been progressing the fraudulent cases through the recovery process in accordance with the Government's Debt Recovery Guidance. There are 29 cases that are being pursued by the Business Rates Section to the value of £279k. Once these cases have gone through the three-step debt recovery process, they will be referred to the Department for Business Energy and Industrial Strategy (BEIS) for appropriate action. BEIS have confirmed from their post payment assurance checking that they are satisfied from their sample taken, that all grant recipients were eligible for the grants, and their work in this area has now concluded. We have one case that is scheduled to go to court in Summer 2023.

¹ The errors relate to Housing Benefit and Council Tax Reduction Scheme overpayments.

Awareness Raising

- 5.17 In addition to the reactive and proactive work, our counter fraud arrangements include regular communications to staff of current fraud risks, and the signposting of where to report any concerns. During the year we have promoted the Fraud Awareness Training package which is available to staff on the Performance and Learning System, including encouraging managers of staff with no digital access to present this at team meetings. We also reminded staff of our counter fraud policies and how to raise concerns. The June promotion was timed to coincide with World Whistleblower's Day with further communications in September and February that included a reminder to staff to be vigilant of bank mandate fraud. Staff were also made aware of the requirement of the Council to submit data to the Cabinet Office for the National Fraud Initiative (NFI) data matching exercise.
- 5.18 We completed our review of the Anti Money Laundering Policy and developed a Policy on a page. This was promoted to staff alongside the Fraud and Corruption toolkit, the Anti-Money Laundering and Terrorist Financing training and the Fraud Awareness Training package.
- 5.19 The Fraud Awareness Training package specifically tailored for School Staff and Governors was successfully launched on the Leeds for Learning platform as an interactive video. This training aims to provide staff with an understanding of the importance of tackling fraud, bribery and corruption and includes information on the key fraud risks affecting schools, indicators of fraud, and how staff should raise any concerns. The training includes scenarios that are relevant to staff within their roles in the school environment. This has received positive feedback to date.
- 5.20 As members of the National Anti-Fraud Network (NAFN) we receive regular intelligence alerts on active or reported frauds experienced by other member bodies. Details of the fraud risks are shared with the relevant service. We also share this knowledge across the wider audit team as part of the audit preparation process so any risks can be considered within the scope of a review where relevant. We continue to work collaboratively with counter fraud and risk colleagues within the Council to share ideas and promote best practice and the fraud awareness training. We have regular meetings with the Freedom to Speak Up Guardian (FTSUG) where any concerns that are considered to require Internal Audit investigation are discussed and actions agreed. Developing these relationships will enhance our ability to identify and respond to emerging fraud risks.

Regulation of Investigatory Powers Act 2000

- 5.21 The Head of Service (Legal) has confirmed that there have been no applications for directed surveillance or covert human intelligence source (CHIS) authorisations during this financial year. In addition, there has been no use of the powers to obtain communications data over the same period.