



Appendix A

Leeds City Council

Internal Audit Update Report – Assurance and Consulting Activities

Corporate Governance and Audit Committee

25th September 2023

INTERNAL AUDIT UPDATE REPORT 2023/24

1ST April 2023 to 31ST August 2023

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 April 2023 to 31st August 2023. 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 2023/24 Internal Audit Plan that was approved by the Committee in March 2023.
 - Unplanned work undertaken in response to emerging risks and priorities.

3 Changes to the 2023/24 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.
- 3.2 There have been changes in leadership and the structure of the internal audit team, as well as the economic environment and risk profile of the council changing dynamically in the period since the plan was initially approved. We are constantly reviewing the audit plan to ensure that it aligns to the key risks and priorities for the council and any new and emerging risks. Work is prioritised to ensure that we are able to deliver that which adds the most value to the Council and the S151 Officer.
- 3.3 Below is a summary of material changes that have been made to the 2023/24 Internal Audit plan to date. Schools are excluded from this information due to the dynamic nature of this area of the plan.

Assurance Block	Movement
Directorate Risks – Children & Families	<p>In this period we have removed the Education, Health and Care Plans (EHCPs) review and the Transport review as our proposed work has been superseded by work being undertaken within the directorate. The Directorate has commissioned an independent review of the EHCP process through an external consultant. This will also include decisions in relation to transport. We will await the results of this to determine whether there is any additional work required.</p> <p>The progress and outcomes of the review will be reported to Children & Families Delivery Board which includes attendance from Internal Audit so progress will be monitored through this forum.</p> <p>We also intended to complete a review of Little Owls Nurseries. The Directorate is undertaking a project in relation to the nurseries as part of its wider transformation programme. Progress is being report to the Children & Families Delivery Board which includes attendance from Internal Audit so progress has been monitored and will continue to be monitored through this forum. Therefore we have removed the Little Owls Nurseries review.</p>
Other Directorate Risks – Procurement	<p>The audit plan includes time to undertaken contract management reviews. We have identified two contracts that will form part of this work. They are:</p> <ul style="list-style-type: none"> • Norfolk Property Services (NPS) Contract review • Colas Contract Management review.

4 Final Internal Audit reports issued

- 4.1 We have issued 27 audit reports during the period from 1st April 2023 to 31st August 2023.
- 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 April 2023 to 31st August 2023 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				
Creditor – Invoicing System Implementation	Good	Substantial	Minor	Performance Management, Risk and Resilience, Financial Management, Legislative / Regulatory Compliance, Value for Money
Income Management System	Acceptable	N/A	Minor	Performance Management, Risk & Resilience, Financial Management, Legislative / Regulatory Compliance, Value for Money
Other Directorate Risks – Adults and Health				
Debt Recovery	Limited	N/A	Moderate	Financial Management, Safeguarding, Risk & Resilience, Legislative/Regulatory Compliance
Deputy and Estates	Good	N/A	Minor	Financial Management, Legislative / Regulatory Compliance, Anti-fraud & Corruption, Safeguarding
Other Directorate Risks – Children and Families				
Children & Families Special Educational Needs Interim Follow Up	<p>N/a – Memo Issued</p> <p>We have confirmed that the service has developments in progress which are based on our original recommendations, and we have 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. Progress against these has been reviewed as part of the formal follow up which is included in the table below.</p>			Financial Management, Legislative / Regulatory Compliance, Business Innovation and Development

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
No Recourse to Public Funds Follow Up	Limited	Limited	Moderate	Financial Management, Anti-Fraud and Corruption, Safeguarding, Legislative / Regulatory Compliance
SEN out of area placements Follow Up	Acceptable	Acceptable	Minor	Financial Management, Legislative / Regulatory Compliance, Business Innovation and Development
Other Directorate Risks – Communities, Housing, and Environment				
House in Multiple Occupancy (HMO) Follow Up	Good	Good	Minor	Performance Management, Risk & Resilience, Health & Safety, Value for Money, Asset Management, Legislative / Regulatory Compliance, Safeguarding
Supported Living Accommodation	Good	N/A	Minor	Financial Management, Value for Money, Legislative / Regulatory Compliance
Green Homes Grant	N/A – Certification of Grant Claim			Performance Management, Financial Management, Anti-Fraud & Corruption
Holiday Activities and Food Programme 2022-23 Grant Review	N/A – Certification of Grant Claim			Anti-Fraud & Corruption, Performance Management, Safeguarding, Financial Management
Other Directorate Risks – Strategy & Resources				
Risk Management	Acceptable	N/A	Moderate	Performance Management, Risk & Resilience, Financial Management, Business Innovation, Governance & Decision Making, Project & Programme Management, Legislative / Regulatory Compliance

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
West Yorkshire Pension Fund Contributions 2022-23	<p>N/A – Memo issued</p> <p>We have undertaken an exercise to provide assurance that the correct employer contribution rate has been deducted from employees based on the pensionable pay received during the period and that employees' contribution rates have been correctly assigned based on contractual payments for the period and relevant additional payments received during the previous twelve months.</p> <p>This has enabled the Chief Officer, Financial Services to sign the Certification of Contribution Payments to the West Yorkshire Pension Fund.</p>			Performance Management, Financial Management, Anti-Fraud & Corruption
Pay As You Earn (PAYE) Settlement Agreement	<p>N/A – Memo issued</p> <p>We have undertaken work to provide assurance that the correct calculations have been made for the PAYE Settlement Agreement (PSA) in respect of Long Service Awards, MetroCards (Home to Office Travel) and Examination/Performance Awards.</p> <p>This has enabled the Chief Officer, Financial Services to sign the PSA Letter for the HMRC.</p>			Performance Management, Financial Management, Anti-Fraud & Corruption
Other Directorate Risks – ICT & Information Governance				
Data Protection Impact Assessment Follow Up	<p>N/a – memo issued</p> <p>We have reviewed the progress being made by the service to implement the recommendations made in our original report and have confirmed that new systems are being developed that should either address or facilitate the implementation of these.</p> <p>A further review of the DPIA process will be undertaken in 2023/24 to ensure all key controls in the new DPIA system are operating as expected.</p>			Information Governance, Legislative / Regulatory Compliance, Risk and Resilience, Project and Programme Management

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Privileged User Access Follow Up	Limited	N/A	Moderate	Information Governance, Cyber Security, Legislative / Regulatory Compliance, Risk & Resilience, Anti-Fraud & Corruption
Other Directorate Risks – City Development				
Local Transport Plan Block Funding return	N/A – Certification of Grant Claim			Performance Management, Financial Management, Anti-Fraud & Corruption
Citywide Cycling Ambition Grant 1 & 2	N/A – Certification of Grant Claim			Performance Management, Financial Management, Anti-Fraud & Corruption
Pothole Grant return	N/A – Certification of Grant Claim			Performance Management, Financial Management, Anti-Fraud & Corruption
City Regional Sustainable Transport Settlement	N/A – Certification of Grant Claim			Performance Management, Financial Management, Anti-Fraud & Corruption
Transforming Cities Fund grant	N/A – Certification of Grant Claim			Performance Management, Financial Management, Anti-Fraud & Corruption
Active Travel Fund Tranche 2 & 3 return	N/A – Certification of Grant Claim			Performance Management, Financial Management, Anti-Fraud & Corruption
Getting Building Fund	N/A – Certification of Grant Claim			Performance Management, Financial Management, Anti-Fraud & Corruption
Schools				
School Voluntary Fund x 3	N/A – Certification of account balances			Financial Management, Anti-Fraud & Corruption, Procurement, Contracts & Commissioning, Value for Money, Governance & Decision Making

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
Primary School Follow Up x 1	Acceptable	Acceptable	N/A	Financial Management, Anti-Fraud & Corruption, Procurement, Contracts & Commissioning, Value for Money, Governance & Decision Making

4.5 During this period, we have also undertaken a number of reviews for external clients which are not included within this report.

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 and Follow Ups

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

Adults & Health Debt Recovery

5.4 We have undertaken a review of the Debt Recovery arrangements associated with Adults & Health billing to provide assurance as to whether these 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 resulted in a limited assurance opinion for the control environment. Control weaknesses were identified in the absence of a specific, agreed debt recovery process for Adults & Health service users. This client group has the potential for complex needs and vulnerabilities and therefore appropriate actions need to be considered during the debt recovery process that are sensitive to the service user’s needs.

- 5.5 We also noted that the Sundry Income Enforcement Section had experienced movement within their resources and the pandemic had significantly impacted on the resources available to monitor and escalate debts where possible.
- 5.6 Management have responded positively, agreeing to all of our recommendations. We will be completing a follow up audit in 2023/24 to provide assurance that actions have been implemented accordingly.

Privileged User Access Follow Up

- 5.7 A limited opinion has been provided for our review of privileged user access as limited progress has been made in relation to the recommendations raised. Discussions with the Deputy Chief Digital and Information Officer has noted that this since the initial review there have been significant changes across IDS and the authority which include significant shift in priorities and resources due to Covid-19, a shift toward cloud-based services and continued significant financial pressures. These have impacted on the ability of the service to deliver on original actions, although it is noted that action to better manage high risk accounts has been undertaken.
- 5.8 The move to the cloud presents opportunities to implement better controls and management around the granting of permissions. There is a project which includes plans to move the primary method of user management and authentication to a cloud first premise, reducing the reliance with the historic on-premise active directory, which would also reduce the associated risks.
- 5.9 We have included time in the 2023/24 internal audit plan to continue to work with IDS and the Cloud Infrastructure team to monitor both progress in relation to the project and the development of processes within the cloud infrastructure team to ensure these controls and processes available within cloud environment are being embedded.

No Recourse to Public Funds Follow Up

- 5.10 In August 2021 we issued a report on our review of No Recourse to Public Funds (NRPF) which refers to people subject to “Immigration Control” who are not entitled to access welfare benefits, local authority housing and homelessness assistance. The audit provided limited assurance for compliance with the control environment as a result of issues identified with the accuracy of some payments.
- 5.11 We have undertaken a follow up review and have provided limited assurance in relation to both the control environment and compliance with this. Some recommendations raised in the previous audit have been addressed, however there remain some weaknesses in relation to the guidance available to officers. The review also identified issues with the accuracy of payments being made. Management have responded positively, agreeing to all of our recommendations with actions

ongoing at the time of reporting. We will be completing a follow up audit to provide assurance that actions have been implemented accordingly.

Special Educational Needs Follow Up

- 5.12 In November 2021 we issued a report on our review of Special Educational Needs (SEN) Out of Area Placements which relates to the legal duties that local authorities have to ensure the Special Educational Needs of children are assessed appropriately so that the correct support and education establishment is chosen. This may result in a child from Leeds receiving education from outside the area. The “Out of Area” relates to children who are classed as having special circumstances. A limited assurance opinion was provided for a specific objective relating to the timely and accurate approval of payments, with several recommendations agreed around this area of the process.
- 5.13 Having completed our follow up we can now provide an Acceptable Assurance opinion for the Control Environment and Compliance in relation to the objective. We have been able to determine that improvements have been made to the payments process as there is now a central area for recording and the need for evidence to support payments has been reiterated. Our testing identified that where evidence was in place to support payments this was found to provide appropriate assurance that correct procedures were being complied with resulting in the improved opinion for Compliance.

Primary School Follow Up

- 5.14 We undertook a review of a primary school in May 2022 that resulted in a limited opinion being provided for compliance with the control environment. The main weaknesses were around compliance with procedures for creditor payments, the management of the school voluntary fund, and weaknesses found in the payroll procedures.
- 5.15 Having completed our follow up we can now provide an Acceptable Assurance opinion overall for Compliance. However we have still provided a limited assurance opinion for the objective relating to the school voluntary fund as weaknesses were still identified in relation to the management of the fund. Since the previous audit was completed, 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 weakness were still identified in relation to compliance with procedures for creditor payments and with payroll procedures. The Headteacher schools agreed to implement all the recommendations raised during the audit and the implementation of these will be reviewed as part of a follow up audit to be scheduled later in the year.

6 Recommendation Tracking

- 6.1 Last year we introduced 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. Currently all audits that receive a no or limited assurance opinion either overall or for a particular objective are subject to a further audit review, which includes reviewing the progress in implementing the recommendations raised within the previous report.
- 6.2 As we continue to embed the recommendation tracking process, we have taken the opportunity to revisit what is being reported to committee to ensure that it remains relevant and highlights any key areas of concern. Previously we have reported the total number of recommendations for each directorate since recommendation tracking was introduced. However going forward we will be reporting on the number of recommendations that have been closed and created during the reporting period and those still ongoing.
- 6.3 The table below details this information for the period from 1st April 2023 to 31st August 2023. The opening position is based on the figures reported to the committee in July 2023 in the Internal Audit Annual Report and is all recommendations that were either not due or outstanding.

Priority	All Open Recs at April 2023	Recs closed to August 2023	Recs opened April to August 2023	Total at August 2023
High	60	18	24	66
Medium	24	6	7	25
Total	84	24	31	91

- 6.4 Members have requested indicative information on how long recommendations had been overdue. The table below shows a breakdown of open recommendations by Directorate and age.

Assurance Block	Open Recommendations Not Due		Recommendations where target date has been missed by:								Total Open Recommendations At 31st August 2023		
			Less than 3 months		3 to 6 months		6 – 12 months		More than 12 months				
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium	Total
Children & Families	7	0	0	0	0	0	8	0	0	0	7	0	7
Procurement	0	0	0	0	0	0	0	0	0	0	0	0	0
Adults & Health	2	0	4	0	4	0	0	0	0	0	10	0	10
Communities, Housing & Environment	4	1	0	0	0	0	8	0	0	0	12	1	13
City Development	0	0	1	0	0	0	0	2	0	0	1	2	3
ICT and Information Governance	0	0	0	0	3	0	0	0	0	0	3	0	3
Finance & Key Financial Systems	3	4	0	1	0	0	2	2	0	0	5	7	12
Resources	5	4	2	2	5	2	1	0	0	0	13	8	21
Schools	0	0	4	3	1	0	9	4	1	0	15	7	22
Total	21	9	11	6	13	2	20	8	1	0	66	25	91

6.5 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, this includes reviewing and agreeing protocols with Directorates. 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. In the meantime we have reviewed the recommendations that remain outstanding and are satisfied that progress is being made and that there are mitigating factors that impact on completion of the actions.

7 Other Audit Work

Audit Work Completed	Details	Work Completed This Period	Assurance Themes
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.	<p>We have provided consultancy work through the Finance Design Authority to aid in the development of the new processes within Microsoft Dynamics. This has been through 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.</p> <p>We have provided consultancy work through the Purchase to Pay (P2P) workstream to aid in the development of purchase to payment systems, including contract management arrangements.</p>	The work contributes across a range of assurances including financial management, risk management, governance & decision making, business innovation and development, procurement, social value, value for money and Legislative / Regulatory Compliance.
Core Business Transformation – Programme Assurance	<p>Ongoing work to provide review, advice and challenge to the Programme Board including oversight and advice around the procurement process.</p> <p>The finance solution has been identified and KPMG have been appointed to assist officers in implementing the system.</p> <p>The procurement exercise to procure new Core HR and payroll technology alongside an Implementation and Transformation Partner is complete and Midland HR International have been</p>	<p>We have presented two quarterly assurance reports to the Programme Board focusing on support and maintenance for Microsoft dynamics and contract management across the programme.</p> <p>We provided support to the CBT Project team to ensure that the tender documents for the procurement of the core hr/payroll were reviewed and signed off by the most appropriate person.</p> <p>We have attended a variety of meetings including the Programme</p>	The work contributes across a range of assurances including financial management and control, risk management, governance and decision making, programme management and contracts and procurement.

Audit Work Completed	Details	Work Completed This Period	Assurance Themes
	appointed to implement their iTrent system.	Board to provide review, advice and challenge. The Head of Finance – Internal Audit is the chair of the Delivery and Quality Assurance board set up for the implementation of finance solution. The purpose of this board is to assess project delivery performance and escalate any areas of concern to the Project Steering Group	
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 provided input into the assurance framework being developed by the Portfolio Management Office for the independent assessment of the status of change initiatives under the IDS portfolio.	The work contributes across a range of assurances including project and programme management, governance and decision making and business innovation.
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 in relation to the delivery of home care. 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.	Attendance at several programme board and workstream meetings. Specifically we have provided advice in relation to the development of the specification for the tender for the pilot area and reviewed the draft documents.	The work contributes across a range of assurances including financial management, value for money, governance and decision making, project and programme management, procurement, contracts and commissioning and business innovation and development.
Children & Families Delivery Board	Attendance at a board set up to oversee the plan for guiding Children & Families improvement	Attendance at several programme board meetings. Specifically we have provided internal audit input into the	The work contributes across a range of assurances including financial

Audit Work Completed	Details	Work Completed This Period	Assurance Themes
	work during the period of transition out of the pandemic and recovering from its impacts	brokerage review being carried out by the service.	management and risk and resilience, governance and decision making, project and programme management, business innovation and development, and transformation.
Mosaic Project Board	<p>Attendance at a Board that has been set up to deliver a transformation for the service in relation to development of the Mosaic system.</p> <p>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.</p>	Attendance at several board meetings. Specifically, we were a member of the Stakeholder Panel for the recruitment of the MOSAIC Payment, Policy & Compliance Officer	The work contributes across a range of assurances including financial management and risk and resilience, governance and decision making, project and programme management, business innovation and development, and transformation.
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.
Leeds Building Services Review	A task and finish group has been established to support service improvement within LBS. The group has 5 overarching workstream: IDS, quality management system, procurement, budget, and workforce. Internal Audit are providing attendance, support, and challenge across a number of these workstreams.	Attendance at several workstream update meeting and overarching group meetings. Specifically, we have also provided input into process mapping exercise under the quality management system workstream and reviewed proposals for required reconciliation under the budget workstream.	Financial Management, Business Innovation and Development, procurement, contracts, and commissioning

Audit Work Completed	Details	Work Completed This Period	Assurance Themes
Policy Review Group	A working group with cross-council representation set up to review policies and procedures. The initial aim is to look for opportunities to simplify guidance, establish consistency and accessibility including links to the Council Values.	Attendance at initial working groups with a view to establishing areas of priority before the work picks up over the course of the year.	The work cuts across a wide range of assurance themes and key risks.
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. The issues that we have identified have highlighted opportunities for incremental improvement and reflection rather than significant weaknesses in the arrangements.	
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 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.	The work contributes to assurance in a range of areas, in particular governance and decision making and financial control.

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. Key boards, committees and working groups are noted in the other audit work table above.
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 Counter Fraud and Investigations

- 9.1 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.