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Internal Audit Update Report September to December 2023

Date: 12th February 2024

Report of: Chief Officer (Financial Services)

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

This report provides a source of assurance that the internal control environment is operating as intended through a summary of the Internal Audit activity for the period from September to December 2023. The report highlights the incidence of any significant control failings or weaknesses.

The work of Internal Audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing the key priorities and Best City Ambition.

Recommendations

The Corporate Governance and Audit Committee is asked to:

- a) receive the Internal Audit Update Report covering the period from September to December 2023 and note the work undertaken by Internal Audit during the period covered by the report;
- b) note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.
- c) Receive the report providing information relating to the Monitoring of Urgent Decisions covering the period September to December 2023.

What is this report about?

- 1 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements, including matters such as internal control and risk management. The Committee also considers the Council's arrangements relating to internal audit requirements, including monitoring the performance of Internal Audit.
- 2 This report provides the Committee with a summary of the Internal Audit activity for the period September to December 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.
- 3 The report also includes information relating to the monitoring of urgent decisions which is included to enable timely consideration of these matters by Committee.

Chief Audit Executive Opinion

- 4 The Chief Audit Executive (this title refers to the Senior Head of Audit, Corporate Governance and Insurance) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 5 Consideration of our overall opinion takes the following into account:
 - results from the substantive audit assignments we have completed during the period;
 - outcomes from our audit work not producing an assurance opinion;
 - an assessment as to the timely implementation of internal audit report management actions.

What impact will this proposal have?

- 6 This report provides a source of assurance that the internal control environment is operating as intended. The report highlights the incidence of any significant control failings or weaknesses that would require the intervention of the Committee.
- 7 The work of Internal Audit contributes towards Leeds City Council achieving its key priorities and Best City Ambition.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

- 8 The Internal Audit Plan provides assurances that span a range of themes including coverage across the council's three Key Pillars.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 9 The Internal Audit Plan is developed in consultation with Members and senior management across the authority. Consultation around key risks and priorities continues throughout the year, and continual engagement with directorates is driven through the ongoing completion of audit assignments and the agreement of the associated recommendations.

10 We are currently refreshing our risk assessments ahead of 2024/25 and engaging with key stakeholders across the organisation as we determine our next set of internal audit priorities. Members are asked to consider any areas for inclusion in our ongoing risk assessment. There is a standing agenda item on the Committee Work Programme that provides an opportunity to raise any thoughts around future coverage, and our audit planning report is due to be presented at the March meeting.

What are the resource implications?

- 11 The Internal Audit Plan includes a number of reviews that evaluate the effective use of resources and provide assurance on the corresponding financial governance, risk management and internal control arrangements.
- 12 The Internal Audit Update Report also provides the Committee with assurances around the effective use of Internal Audit resources through information pertaining to the delivery and completion of the annual plan.

What are the key risks and how are they being managed?

- 13 The Internal Audit Plan is subject to review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process involves the review of information from a number of sources including the corporate and directorate risk registers.
- 14 The risks relating to the achievement of the Internal Audit Plan are managed through ongoing monitoring of performance and resource levels. This information is reported to the Committee.

What are the legal implications?

- 15 The Chief Officer (Financial Services), as the council's Section 151 Officer, is responsible under the Local Government Act 1972, for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising her responsibility for financial administration.
- 16 The Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to deliver an annual audit opinion and report that can be used by the council to inform its Annual Governance Statement.
- 17 The Internal Audit Plan includes a number of reviews that provide assurances around the application of the statutory and constitutional framework.

Options, timescales and measuring success

What other options were considered?

- 18 The work of Internal Audit provides a key source of assurance to the Committee. Additional assurances are obtained through a range of further reports presented to the Committee throughout the year.

How will success be measured?

- 19 Success can be measured through the delivery of the Internal Audit Annual Report and Opinion. Each quarterly update report will provide an overview of the work completed during the period which contributes towards the Annual Opinion.

20 Further performance measures and drivers are under continual review to ensure that relevant performance information is reported to the Committee throughout the year.

What is the timetable and who will be responsible for implementation?

21 The Internal Audit Plan is in place and is approved annually by the Committee. The Chief Audit Executive is responsible for delivery of the plan.

Appendices

- A – Internal Audit Update Report – Assurance and Consulting Activities September – December 2023
- B – Internal Audit Update Report – Quality and Performance September – December 2023
- C – Monitoring of Urgent Decisions September – December 2023

Background papers

- None