

## Internal Audit Plan 2024-25

Date: 18<sup>th</sup> March 2024

Report of: Senior Head of Internal Audit, Corporate Governance and Insurance

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

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.

This report provides Members with assurances over the approach to Internal Audit Planning for 2024-25, outlining the ways in which the process is risk-based and satisfies regulatory requirements.

The report provides Members with an opportunity to review and comment on proposed changes to the Internal Audit Charter.

### Recommendations

- a) The Corporate Governance and Audit Committee is asked to review and approve the proposed Internal Audit Plan for 2024-25.
- b) The Corporate Governance and Audit Committee is asked to review and approve the updated Internal Audit Charter which will be effective from 1<sup>st</sup> April 2024.

## **What is this report about?**

- 1 The Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the Council's arrangements relating to internal audit requirements. As a result, the Committee is responsible for reviewing and approving the approach to risk-based audit planning and overseeing the agreement and completion of significant pieces of work.
- 2 The purpose of this report is to present the approach to internal audit planning for 2024-25 to the Corporate Governance and Audit Committee, along with an outline of the areas of audit activity which we have a statutory obligation to complete, and the immediate areas of priority for review and approval. Appendix A includes the detailed considerations and consultations involved in the planning process. The content and direction of the plan will be subject to continual review and approval throughout the year.
- 3 The Public Sector Internal Audit Standards (PSIAS) requires that the purpose, authority and responsibility of the internal audit activity be formally defined in an internal audit charter. This establishes the position of Internal Audit within the organisation and the functional reporting relationship of the Chief Audit Executive (this role is fulfilled by the Senior Head of Audit, Corporate Governance and Insurance) with the committee.
- 4 It is good practice for the Charter to be reviewed on a regular basis. Since the last review of the Charter, the Senior Head of Audit, Corporate Governance and Insurance has become responsible for the Insurance Services. The Charter has been updated accordingly and a copy is provided as Appendix B.

## **What impact will this proposal have?**

- 5 A risk-based Internal Audit plan promotes and provides assurance on the effective and efficient use of resources across the organisation.
- 6 The work of Internal Audit contributes towards Leeds City Council achieving its key priorities and Best City Ambition pillars.
- 7 The approach to audit planning has been reviewed with the aim of ensuring it is risk-based and flexible to the demands of a dynamic and changing organisation. This report presents the way in which audit planning is to be carried out to achieve maximum impact from the available resource.
- 8 The Internal Audit Charter has been updated to reflect the additional responsibilities of the Chief Audit Executive in relation to corporate governance and insurance and sets out the safeguards to maintain independence in these areas. It also reflects changes to the reporting of the outcomes of reviews linked to our more flexible ways of working. The Charter reaffirms the role and position of Internal Audit in the organisation, set out the relevant safeguards around independence and contribute towards strengthening departmental liaison.

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

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 9 The Internal Audit Plan is developed to provide 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

10 The Internal Audit Plan is developed in consultation with Members of the Committee, the council's Section 151 Officer, the Monitoring Officer, senior management and colleagues from across the authority. Consultation around key risks and priorities continues throughout the year to ensure that planned audit activity is focussed on the areas of highest risk and impact.

## What are the resource implications?

11 At this stage, the resources available to deliver the plan are considered to be sufficient to enable the Senior Head of Internal Audit, Corporate Governance and Insurance to provide appropriate assurances in support of the statutory finance officer's role. This will be monitored going forward. To ensure the most effective deployment of the available resource throughout the year, internal audit activity will be planned to focus on the most significant risk areas and on the robustness of financial control.

12 Internal Audit Update Reports will be provided to the Committee throughout the year as set out within the updated Internal Audit Charter. These will provide assurances around the effective use of Internal Audit resources through information pertaining to the delivery and completion of the annual plan. As well as summarising the outcomes of completed activity, the Internal Audit Update Reports will also provide the committee with a forward look at identified priorities and the opportunity to review planned areas of activity as the year progresses.

13 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.

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

14 The Internal Audit Plan will be 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.

15 The risks relating to the achievement of the Internal Audit Plan are managed through ongoing review of outcomes delivered during the year, alongside monitoring performance and resource levels. This information is reported to the Committee.

## What are the legal implications?

16 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.

17 The PSIAS require the Senior Head of Internal Audit, Corporate Governance and Insurance to deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. Effective risk-based planning is required to ensure that the audit opinion is supported by an appropriate and comprehensive range of work over the course of the year.

The standards refer to the need for the planning of engagements to be based on a documented risk assessment undertaken at least annually, with input from senior management and the 'Board.' Within Leeds City Council, the Corporate Governance and Audit Committee fulfils the key duties of the Board laid out in the PSIAS. This report sets out how the internal audit planning process satisfies these requirements.

18 The PSIAS set out that the plan must be reviewed and adjusted, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. By determining statutory obligations and immediate areas of priority at the outset, and then leaving contingency to develop the remainder of the plan as the year progresses, we are able to satisfy this requirement throughout the year.

19 The PSIAS require the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter. The Senior Head of Internal Audit, Corporate Governance and Insurance is required to periodically review the Audit Charter and present it to senior management and the committee for approval, with final approval residing with the committee.

## **Options, timescales and measuring success**

### **What other options were considered?**

20 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?**

21 Success will be measured through the delivery of the Internal Audit Annual Report and Opinion. Each update report will provide an update on the work completed during the period and an outline of priority areas of focus for the subsequent periods.

### **What is the timetable for implementation?**

22 Subject to approval by the Committee, the Charter will be re-established with immediate effect. Risk-based audit planning will continue throughout the year with delivery of the plan commencing in April 2024.

## **Appendices**

- A – Internal Audit Planning 2024-25
- B – Internal Audit Charter

## **Background papers**

- None.