



**Appendix B**  
**Leeds City Council**  
**Internal Audit Annual Report**  
**Audit Resources and**  
**Quality Assurance and Improvement Programme (QAIP)**  
**2023-24**

**Corporate Governance and Audit Committee**

**29 July 2024**

## INTERNAL AUDIT ANNUAL REPORT – AUDIT RESOURCES AND QAIP 2023/24

### 1 Resources

- 1.1 The Public Sector Internal Audit Standards (PSIAS) Performance Standard 2030 states “The Chief Audit Executive must ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan”. The table below demonstrates that during 2023-24, FTE resources within the Internal Audit have reduced. The reduced resource undoubtedly challenges the team, but also provides opportunities to review and streamline our working practices. It is important to note that the reduction in resource is not out of step with the wider authority during these challenging times.

We continue to manage our available resources to direct these towards the highest areas of risk to deliver the evidence-based Chief Audit Executive opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control in accordance with the PSIAS.

- 1.2 We continue to take a risk-based approach throughout the year and can confirm that resources have been appropriate, sufficient, and effectively deployed to achieve the audit coverage necessary to deliver the annual Internal Audit opinion.

Experience of Full Time Equivalent (FTE) staff in post

Years of experience – local government auditing	FTE at 31/03/2023	FTE at 31/03/2024
Less than 1 year	0	0
1 – 5 years	1.95	2
6 – 10 years	4	3
Over 10 years	9.89	7.57
<b>Total FTE</b>	<b>15.84</b>	<b>12.57</b>

### Proficiency and Due Professional Care

- 1.3 Proficiency and due professional care are a key requirement of the PSIAS. All Internal Auditors have a personal responsibility to undertake a programme of Continuing Professional Development (CPD) to maintain and develop their

competence. We allocated time within the 2023-24 audit plan for CPD, training and personal development to be undertaken throughout the year to continuously improve the knowledge and skills within the Internal Audit section.

- 1.4 All members of the Internal Audit team are professionally qualified or are studying for professional qualifications and the table above demonstrates that there is also a good level of local government auditing experience within the team.

## **2 Quality Assurance and Improvement Programme and Conformance with PSIAS 2023/24**

### **Internal Audit Performance**

- 2.1 The Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the Council's arrangements for monitoring the performance of Internal Audit. This section of the report summarises the performance information that has been reported throughout the year to the Corporate Governance and Audit Committee.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) require a quality assurance framework to be established, which includes both internal and external assessments of the work of Internal Audit. The activities we undertake to satisfy the requirements for internal assessments include:
- Ongoing supervision, performance management, quality assurance and regular review of the procedures that guide staff in performing their duties to ensure they conform to the PSIAS. The latest external certification of our quality management system was undertaken in November 2022, further details are included at 2.5 below.
  - Customer Satisfaction Questionnaires (CSQs) are issued to clients at the end of each assignment and the information returned is used to identify training and development needs. The results of the returned CSQs are reported to the Committee at each update report and an annual summary is included below.
  - Self-assessments are undertaken against the PSIAS for conformance. The new Global Internal Audit Standards were published in January 2024, for implementation in January 2025. These are currently being reviewed to incorporate into PSIAS with the new PSIAS standards expected by the end of 2024 for implementation on 1<sup>st</sup> April 2025. We will undertake an assessment against the new PSIAS to ensure that we either comply with them or have an action plan in place when they come into force.
- 2.3 The PSIAS require that an external assessment is conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Our latest assessment by Glasgow City Council took place during 2021 which concluded that Leeds City Council's Internal Audit Service conforms to the requirements of the PSIAS. It

had been agreed by the Core Cities Internal Audit Group that rotational peer reviews would be undertaken. The members of the Committee were provided with the full report at the December 2021 meeting. Recommendations included within the external assessment report were included within the Quality Assurance Improvement Programme. These were implemented and reported to the Committee.

2.4 Members receive updates on the work of Internal Audit throughout the year. The table below summarises the reports provided to the Corporate Governance and Audit Committee between 1<sup>st</sup> April 2023 to 30<sup>th</sup> June 2024.

Report	Purpose
Internal Audit Update Reports	Provided regular summaries of the work undertaken by Internal Audit and allowed the Committee to review the performance of the section.
Annual Report 2022-23	Provided an overview of the work undertaken by Internal Audit and the Annual audit opinion in respect of the Council's governance, risk management and control arrangements for 2022-23.
Annual Audit Plan 2024-25	Presented the proposed Internal Audit Plan for 2024-25 for review and approval.
Counter Fraud Update Reports	Provided six monthly updates of the counter fraud activities undertaken by Internal Audit and information from other service areas who contribute to the Council's counter fraud assurances to give a rounded overview of the work that is being undertaken across the Council on counter fraud activities.

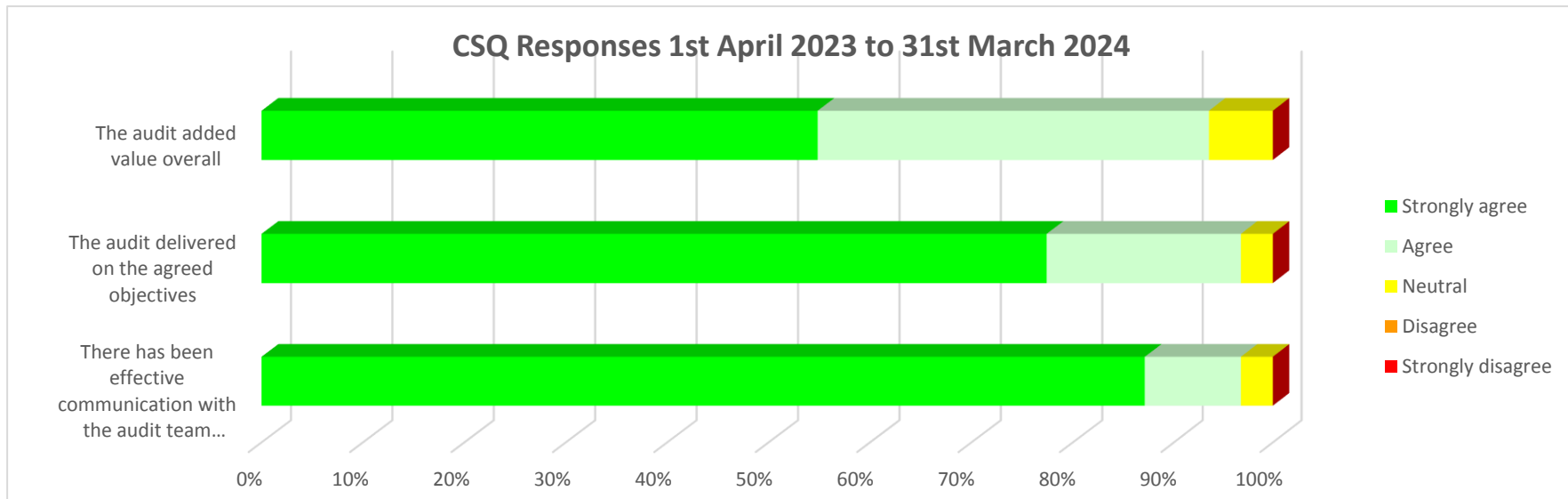
**Quality**

2.5 The latest external certification of our quality management system was undertaken in November 2022. The assessment confirmed that our arrangements continue to conform to the ISO quality management standards and is demonstrating continual improvement. Certification was successfully awarded for a further 3 years, this is subject to an annual surveillance review. All Internal Audit work is undertaken in accordance with internal quality procedures incorporated in the quality management system, which has been ISO certified since 1998.

2.6 We actively obtain feedback by issuing a customer satisfaction questionnaire (CSQ) with every audit report. For the period from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024 we have issued a total of 54 Customer Satisfaction Questionnaires and received 34 completed returns at a response rate of 63% for the year, (for comparison, the 2022/23 Annual Report reported an overall response rate of 72%). The majority of the unreturned CSQs relate to schools and specifically School Voluntary Fund audits. These are carried out on request of the school therefore satisfaction with the work undertaken can be implied.



2.7 The graph below shows the responses for each question. The respondents have selected either strongly agree or agree in 94% of responses for the first question and 97% of responses for the remaining two questions.



2.8 We also encourage wider feedback from officers across the Council and members of the team receive feedback directly from clients and senior management. In addition, we have sent out a CSQ to all Directors, as well as Chief Officers and Heads of Service. We asked the respondents to rate Internal Audit as either “Excellent”, “Good”, “Adequate” or “Poor” in a number of areas. The responses are shown in the table below along with a summary of comments we received.

**Responses to Customer Satisfaction Questionnaire**

Rating ● Excellent ● Good ● Adequate															
<p>Overall rating of Internal Audit</p> <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>Excellent</td><td>74%</td></tr> <tr><td>Good</td><td>26%</td></tr> </table>	Rating	Percentage	Excellent	74%	Good	26%	<p>The extent to which the audit process is constructive and adds value overall</p> <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>Excellent</td><td>77%</td></tr> <tr><td>Good</td><td>23%</td></tr> </table>	Rating	Percentage	Excellent	77%	Good	23%		
Rating	Percentage														
Excellent	74%														
Good	26%														
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<p>The extent to which the work of Internal Audit is carried out professionally and objectively</p> <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>Excellent</td><td>83%</td></tr> <tr><td>Good</td><td>18%</td></tr> </table>	Rating	Percentage	Excellent	83%	Good	18%	<p>The relationship between your service and Internal Audit</p> <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>Excellent</td><td>75%</td></tr> <tr><td>Good</td><td>25%</td></tr> </table>	Rating	Percentage	Excellent	75%	Good	25%		
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<p>The timeliness of our work</p> <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>Excellent</td><td>58%</td></tr> <tr><td>Good</td><td>42%</td></tr> </table>	Rating	Percentage	Excellent	58%	Good	42%	<p>The extent to which Internal Audit meets your needs</p> <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>Excellent</td><td>62%</td></tr> <tr><td>Good</td><td>36%</td></tr> <tr><td>Adequate</td><td>2%</td></tr> </table>	Rating	Percentage	Excellent	62%	Good	36%	Adequate	2%
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### Quality Assurance and Improvement Action Plan

2.9 The PSIAS require that the results of the Internal Audit Quality Assurance and Improvement Plan (QAIP) are included in the Annual Report. The QAIP brings together our commitment to continually review and improve the way in which we deliver our Internal Audit service and embed our quality system into working practices. The 2023/24 Action Plan is provided in the table below. There are actions to further boost engagement and profile in accordance with some of the feedback highlighted above.

Action	Timescale and Status
<p>Internal Audit assurance mapping will continue to be developed to support the annual audit planning process.</p>	<p>Ongoing – We have integrated assurance into our audit planning process as our risk assessment criteria includes identifying other assurance mechanisms in place for the area under review.</p> <p>For 2024/25 we will develop a list of these assurance mechanisms that will be updated on a continuous basis going forward to feed into our ongoing planning process.</p>
<p>Internal Audit Performance Monitoring – internal performance measures, including KPIs, are being reviewed on an ongoing basis to support and drive completion of the annual audit plan.</p>	<p>Ongoing – We continue to review our performance measures and produce meaningful information for the committee. We have reflected on the feedback provided by members of the committee.</p> <p>Changes have been made in the information being reported to committee in relation to recommendation tracking and also customer satisfaction.</p> <p>We have developed a dashboard which will be utilised to strengthen performance management and presentation of outcomes. This will be reviewed on an ongoing basis to ensure that it provides the most relevant information for monitoring performance.</p>
<p>Internal Audit Reporting Protocols – to update and streamline directorate reporting protocols to drive timely completion of audit reports.</p>	<p>Complete – We have refreshed our protocols and are continuing to look at the most effective ways of developing and embedding these, including attendance at the identified forums below.</p>
<p>Automation of the recommendation tracking process – to create an automated process for gathering data on the audit recommendation trackers for each assurance area.</p>	<p>Complete – An automated audit recommendation tracking process has been developed that will lessen the administrative burden that exists currently to collate recommendation tracking data.</p>
<p>Recommendation tracking process – to further embed the recommendation process across the council.</p>	<p>Ongoing – For 2024/25 will we introduce a spot-checking process to provide assurance on the responses to implementation of recommendations from services.</p>



Action	Timescale and Status
<p>Engagement – To further increase our presence at key forums to enable closer working across the Council, promote the work of the section and obtain information on any emerging areas of risk or concern:</p>	<p>Ongoing – we have identified a number of forums where our engagement will be helpful, this is an ongoing process. We have also established regular meetings with key officers, such as the Chief Digital Information Officer to share information.</p> <p>Actions will be agreed as part of the appraisal process to ensure that this work is taken forward.</p>
<p>New Global Internal Audit Standards – We will undertake a self-assessment against the new standards when they are published and develop an action plan to ensure we will be compliant when the standards become effective.</p>	<p>Not Yet Started – On 9<sup>th</sup> January 2024, the new Global Internal Audit Standards (GIAS) were issued. These replace the International Practice Framework on which the Public Sector Internal Audit Standards (PSIAS) are based.</p> <p>The PSIAS are issued under the authority of the Relevant Internal Audit Standard Setters (RIASS). The RIASS have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.</p> <p>The IASAB plans to issue consultation material by September 2024 at the latest. Following consultation, the final material for application in the UK public sector together with guidance on the transition period between 9<sup>th</sup> January and the implementation date for the new PSIAS of 1<sup>st</sup> April 2025.</p> <p>Once we understand what these requirements are we will undertake a self-assessment to determine what actions we need to take prior to implementation.</p>