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**Service Director – Legal, Governance and
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Thursday 13 April 2023

Notice of Meeting

Dear Member

Corporate Governance and Audit Committee

The **Corporate Governance and Audit Committee** will meet in the **Reception Room - Town Hall, Huddersfield** at **10.00 am** on **Friday 21 April 2023**.

The items which will be discussed are described in the agenda and there are reports attached which give more details.

A handwritten signature in black ink, appearing to read "Julie Muscroft", on a light background.

Julie Muscroft

Service Director – Legal, Governance and Commissioning

Kirklees Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair/Clerk of their intentions prior to the meeting.

The Corporate Governance and Audit Committee members are:-

Member

Councillor Yusra Hussain (Chair)
Councillor Ammar Anwar
Councillor Kath Pinnock
Councillor Harry McCarthy
Councillor Elizabeth Reynolds
Councillor Joshua Sheard
Councillor John Taylor

When a Member of the Corporate Governance and Audit Committee cannot attend the meeting, a member of the Substitutes Panel (below) may attend in their place in accordance with the provision of Council Procedure Rule 35(7).

Substitutes Panel

Conservative

B Armer
A Gregg
D Hall
V Lees-Hamilton
R Smith
M Thompson

Green

K Allison
S Lee-Richards

Independent

C Greaves
A Lukic

Labour

S Hall
M Kaushik
M Sokhal E Firth
T Hawkins

Liberal Democrat

A Munro
PA Davies
J Lawson
A Marchington
A Pinnock

Ex Officio Members

Councillor Paul Davies, Cabinet Member - Resources
Councillor Elizabeth Smaje, Chair - Overview and Scrutiny Management Committee
Councillor Jo Lawson, Chair – Standards Committee
Chris Jones, Independent Person

Agenda

Reports or Explanatory Notes Attached

Pages

1: **Membership of the Committee**

To receive any apologies for absence, or details of substitutions to the Committee membership.

2: **Minutes of Previous Meetings**

1 - 10

To approve the minutes of the meeting of the Committee held on 10 February 2023. The minutes/notes of the meeting held on 10 March 2023 are attached for information

3: **Declarations of Interest**

11 - 12

Committee Members will be asked to advise if there are any items on the Agenda in which they have a Disclosable Pecuniary Interest, which would prevent them from participating in any discussion or vote on an item, or any other interests.

4: **Admission of the Public**

Most debates take place in public. This only changes where there is a need to consider certain issues, for instance, commercially sensitive information or details concerning an individual. You will be told at this point whether there are any items on the agenda which are to be discussed in private, by virtue of the reports containing information which falls within a category of exempt information as contained at Schedule 12A of the Local Government Act 1972.

5: **Deputations/Petitions**

The Committee will receive any petitions and hear any deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also hand in a petition at the meeting but that petition should relate to something on which

the body has powers and responsibilities.

In accordance with Council Procedure Rule 10 (2), Members of the Public should provide at least 24 hours' notice of presenting a deputation.

6: Audit Progress

To receive a verbal update.

Contact: Grant Thornton, External Auditor

7: Quarterly Report of Internal Audit Q4 2022/23 January 2023 to March 2023

13 - 16

To receive information about internal audit work in quarter 4 of 2022/23.

Contact: Martin Dearnley, Head of Risk & Internal Audit

8: Annual Report of Internal Audit 2022/23 & Issues for 2023/24

17 - 70

To consider the report.

Contact: Martin Dearnley, Head of Risk & Internal Audit

9: Exclusion of the Public

To resolve that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

10: Quarterly Report of Internal Audit Q4 2022/23 January 2023 to March 2023

71 - 80

This report is recommended for consideration in private because the information contained in it is exempt information within part 1 of

Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

Exempt appendix in relation to Agenda Item 7.

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Contact Officer: Leigh Webb

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 10th February 2023

Present: Councillor Yusra Hussain (Chair)
Councillor Kath Pinnock
Councillor Harry McCarthy
Councillor Elizabeth Reynolds
Councillor John Taylor

In attendance: Peter Jackson – Head of Internal Audit, City of Doncaster Council
Aaron Gouldman – Grant Thornton
Stephen Nixon – Grant Thornton
Eamonn Croston – Service Director, Finance
James Anderson – Head of Accountancy
Rachel Firth – Finance Manager
Martin Dearnley – Head of Internal Audit
Simon Straker – Audit Manager
Terence Hudson – Head of Technology

Ex-officio Members: Councillor Paul Davies (Virtual)

Apologies: Councillor Ammar Anwar
Councillor Joshua Sheard

1 Membership of the Committee

Apologies for absence were received on behalf of Councillors Ammar Anwar, Joshua Sheard, Jo Lawson (Ex-Officio) and Elizabeth Smaje (Ex-Officio).

2 Minutes of Previous Meetings

RESOLVED – That the minutes of the meetings held on 25 November and 2 December 2022 be approved as a correct record.

3 Declarations of Interest

No interests were declared.

4 Admission of the Public

The committee noted the submission of exempt information, as set out at Agenda Items 16 and 17.

5 Deputations/Petitions

No deputations or petitions were received.

6 Public Question Time

No questions were asked.

7 Public Sector Internal Audit Standards Five Yearly External Review

The Committee received the Public Sector Internal Audit Standards Five Yearly External Review.

The Committee was advised that the Council's internal audit are required to be provided in accordance with a set of arrangements called the Public Sector Internal Audit Standards. An obligation of these standards was that every 5 years an external review of the operation takes place to determine if the requirements of the standard are being met.

The Committee noted that this external review was undertaken by Peter Jackson, Head of Internal Audit, City of Doncaster Council. Mr Jackson presented his Assessors report and the action plan appended to it.

The Committee was advised that the review had concluded with a rating of 'generally compliant' which was the highest standard, but there were some opportunities for improvement set out in an Action Plan. The Committee determined that it would like to review progress against the Action Plan and requested quarterly monitoring reports to be provided.

RESOLVED –

- 1) That the Assessors report be noted.
- 2) That the Action Plan be approved.
- 3) That monitoring reports be received by this committee on a quarterly basis.

8 Treasury Management Strategy and Investment Strategy 2023/24

The Committee received the Treasury Management Strategy 2023/2024 and associated appendices, in accordance with the CIPFA Code of Practice on treasury management. The report provided information regarding (i) the outlook for interest rates and credit risk, and a recommended investment strategy (ii) the current and estimated future levels of Council borrowing (internal and external) and a recommended borrowing strategy (iii) methodologies adopted for providing for the repayment of debt and a recommended policy for calculating minimum revenue provision (iv) other treasury management matters including the policy on the use of financial derivatives, prudential indicators, the use of consultants and the policy on charging interest to the housing revenue account and (v) a recommended an annual investment strategy in line with Department for Levelling Up Housing & Communities (DLUHC) guidance.

The Committee was advised that the report would be submitted to the meeting of Council (Budget) on 8 March 2023.

RESOLVED - That the Treasury Management Strategy 2023/24 incorporating (i) the borrowing strategy, (ii) the investment strategy, (iii) the policy for provision of repayment of debt (Minimum Revenue Provision) (iv) the treasury management prudential indicators and (v) the investment strategy (non-treasury investments) be referred to the meeting of council on 8 March 2023.

9 Annual Governance Statement 2021/22

The Committee received a report seeking the approval of the 2021/22 Annual Governance Statement. The Statement covered 2021/22 and up to the date at which the Annual Statement of Accounts was approved. The Statement concluded that overall, the governance arrangements remained fit for purpose. Since last September, the Council's financial position had come under sharp focus, and the Service Director of Finance had revised the draft to reflect this significant change of circumstance.

It was explained that the statement had been compiled following the annual review of the effectiveness of the overall internal control and governance arrangements and was based on a number of forms of assurance which had been presented to various parts of the Council during the year. The report highlighted a number of 'Significant Governance Issues'. Several of the Issues from the 2020/21 Statement were brought forward, which reflected the wide-ranging nature of the issues and action required. Consideration had also been given to a number of potential new Issues and one, the impact of the Cost of Living Crisis had been incorporated, coupled with the serious financial position of the Council.

The actions and controls the Council was taking were contained within an Action Plan that accompanied the statement. It was reported that the Action Plan would be the subject of internal monitoring, with reporting back to Executive Team and this Committee during 2023/24.

RESOLVED –

- 1) That approval be given to the Annual Governance Statement 2021/22, subject to amendment of Section 1 of the Action Plan to note the publication date of the next revision of 'Our Council Plan'.
- 2) That authority be delegated to the Leader of the Council and the Chief Executive to make necessary minor amendments to the statement.

10 Audit Findings

The Committee received the External Audit Findings Report (Year Ending 31 March 2023) from Grant Thornton, the councils External Auditor.

The report presented the findings and observations arising from the auditors work that they wished to draw to the attention of those charged with governance, as a part of the financial reporting process. It was noted that the external auditors had substantially completed the audit of the Council's financial statements and subject to outstanding tasks being resolved, Grant Thornton anticipated issuing an unqualified audit opinion. The outstanding tasks included (i) completion of the quality review procedures including final Engagement Lead review, (ii) review of the final set of financial statements; and (iii) receipt of the management letter of representation.

RESOLVED - That the External Audit Findings Report be received and noted.

11 Approval of the Council's final accounts for 2021/22

Corporate Governance and Audit Committee - 10 February 2023

The Committee received a report on the final accounts and audit processes for 2021/22 which sought Committee approval of the Council's Statement of Accounts for 2021/22 and a final version of the Annual Governance Statement.

The preparation of the Statement of Accounts was a statutory requirement and local authorities were normally required to have them signed by the section 151 Officer by 31 May and published with an Audit Certificate by 31 July, following the end of the financial year. However, the DLUHC extended the statutory deadlines for local authorities to approve and publish their accounts for the 2020/21 and 2021/22 financial years. The revised deadlines applicable to local authorities were to have them signed by the section 151 Officer by 31 July and published with an Audit Certificate by 30 September. The 2021/22 deadline for the published Audit Certificate was then further extended to 30 November.

The draft accounts were completed and signed by the Council's Service Director - Finance on 29 July 2022. There were no queries or objections raised in the six week public inspection period. Grant Thornton advised that almost all issues were now completed, but the audit could not be finalised until confirmation of the position by the external auditor of the West Yorkshire Pension Fund (WYPF). When this was received, they would formally complete their audit, which could then be approved on behalf of the Council.

The Committee discussed the delay in completing the accounts but acknowledged that this was an issue with a third party, and not a reflection of the council's officers, or its auditor.

RESOLVED –

- 1) That the Statement of Accounts 2021/22 incorporating the Annual Governance Statement be approved.
- 2) That authority be delegated to the Chair of Corporate Governance and Audit Committee and the Service Director - Finance to sign the final accounts and letter of representation upon completion of the audit.
- 3) That enquiries be made of Bradford MBC/WYPF and their external auditors as to what actions were being taken to prevent the repeat of delays experienced in finalising the accounts.

12 Dates of Council Meetings - 2023 to 2024 Municipal Year (Reference to Council)

The Committee received a report which set out a provisional schedule of Council meeting dates for the 2023-2024 municipal year. The report sought endorsement of the schedule for submission to the meeting of Annual Council on 24 May 2023.

The Committee voiced some concerns that a date had yet to be confirmed for the West Yorkshire Mayor to attend Council and that there would be no planned meetings between February 2024 and July 2024 apart from the meetings solely for consideration of the Budget and the AGM.

RESOLVED –

- 1) That the schedule of Council meetings for the 2023-24 municipal year be submitted to the meeting of Council on 22 February 2023 with a recommendation of approval.
- 2) That the requirements of Council Procedure Rule 5(6) will be complied with either by adding an additional meeting date or being included within one of the meetings listed.

Under the provision of Council Procedure Rule 24(5) Councillor Kath Pinnock and Councillor John Taylor asked that their vote against the motion be recorded.

13 Risk Management Update

The Committee received a report which provided information on the Council's Risk Management Statement and its arrangements for Corporate Risk Management.

It was noted that the Corporate Risk Matrix which was appended to the report, identified the ongoing risks and issues, many of which were common to many large local authorities and many types of corporate organisation. The Corporate Risk Matrix remained largely stable in terms of its content but had recently been restructured by grouping risks into 10 Key Corporate Risks, with trend analysis and responsibility holders along with some symbolic information.

The report explained the Emerging Risks and Challenges Report listed items of note or concern that did not feature in the Corporate Risk Matrix but currently could present a threat to achievement of the council's objectives. Actions in place to monitor and / or address these emerging risks were detailed. These risks are aligned to the 10 Key Corporate Risks and were appended as a private appendix to the report.

RESOLVED – That the risk management report be received and noted.

14 IT Audit Controls Update

The Committee received a report which provided an update on IT audit controls, following the external auditors expressing some concerns as part of their audit review. The Committee was advised that internal audit had reviewed arrangements and found that with the exception of one minor issue, strong progress had been made.

RESOLVED –

- 1) That the report be received and noted.
- 2) That the committee was satisfied with the IT controls.

15 Primary Care Networks

Councillor John Taylor expressed concern that a report on Primary Care Networks had not been considered by this Committee, despite being previously agreed that it would be submitted 6 months from the setting up of the PCN's in May 2022. The Chair acknowledged that the update had slipped and reported that it would be considered at the next meeting of the Committee.

RESOLVED - That following an informal scoping session to outline the required content, a report on Primary Care Networks be considered at the next meeting of this Committee.

(Note: This item, which did not appear on the agenda for the meeting, was allowed by the Chair to be considered as a matter of urgency in order to ensure the delayed report could be submitted to the Committee at the earliest opportunity).

16 Exclusion of the Public

RESOLVED – That acting under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act, as specifically stated in the undermentioned minutes.

17 Risk Management Update

The committee noted the exempt information, which was an appendix to Agenda Item 13.

18 IT Audit Controls Update

The committee noted the exempt information, which was an appendix to Agenda Item 14.

Contact Officer: Leigh Webb

KIRKLEES COUNCIL

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Friday 10th March 2023

Present: Councillor Yusra Hussain (Chair)
Councillor Harry McCarthy
Councillor Elizabeth Reynolds
Councillor John Taylor

In attendance: Richard Parry – Strategic Director for Adults and Health
Julie Muscroft – Service Director, Legal, Governance and commissioning
Emily Parry-Harries, Head of Public Health
Samantha Lawton – Head of Governance
Martin Dearnley – Head of Internal Audit
Erin Wood – Information Governance Manager and DPO
Aaron Gouldman – Grant Thornton
Councillor Habiban Zaman
Councillor Paul Davies (Ex-Officio)
Councillor Elizabeth Smaje (Ex-Officio)
Councillor Jo Lawson (Ex-Officio)

Apologies: Councillor Ammar Anwar
Councillor Joshua Sheard

1 Quorum

Due to adverse weather the meeting was inquorate. A number of Members had been able to attend virtually and it was agreed that the meeting would go ahead informally with any potential recommendations or decisions reported to the next scheduled meeting for ratification.

2 Membership of the Committee

Apologies for absence were received on behalf of Councillors Ammar Anwar and Joshua Sheard. Councillor Paola Davies substituted for Councillor Kath Pinnock.

3 Minutes of Previous Meeting

That the minutes of the meeting held on 10th February 2023 be noted and submitted to the next Committee meeting.

4 Declarations of Interest

Councillor Yusra Hussain and Councillor Jo Lawson declared an other interest in respect of item 10, Primary Care Networks and Local Health Improvement, as NHS employees.

5 Admission of the Public

It was noted that Agenda item 11 would be considered in private session.

6 Deputations/Petitions

No deputations or petitions were received.

7 Public Question Time

No questions were asked.

8 Annual Report - Information Governance

The Committee received a report providing an update on the Information Governance service, outlining key events and activities over the year.

Information Governance connected all the relevant standards, requirements, and best practice for appropriate and legal information handling, which allowed the Council to manage information in an appropriate way that balanced the importance of maintaining confidentiality and privacy for individuals, whilst ensuring openness and transparency for the organisation. The Information Governance Board held the Information Governance Team and their practices to account, ensuring that personal data was processed to the highest standards, and in line with legislation.

The report set out how the Council had performed in key areas; Organisational Culture Change, Legal Compliance, Information Sharing and Processing, and Records Management. It was important that the Council continued to have a strategic approach to information governance that ensured legislative compliance whilst realising the opportunities and benefits of best practice. The report also outlined the next steps and future plans for information governance in service and across the Council, supporting compliance and service delivery.

RESOLVED: That the Information Governance Annual Report be noted.

9 Quarterly Report of Internal Audit Quarter 3 2022-23 October 2022 to December 2022

The Committee received a report which set out the activities of the Internal Audit Quarter 3 of 2022/23.

The report provided information regarding nineteen audits and two investigations completed during the period. The routine audits for eleven schools were substantial or adequate, with the work in respect of other financial systems and business processes less satisfactory. Two had adequate assurance, the others relating to catering income at a residential facility, school exclusions, employee attendance management and lone working were all rated as having limited assurance. The two follow up audits still had limited assurance, although in both areas some progress had been made. The investigations related to two direct payment frauds.

Internal Audit continued with its activity to support several governance areas and had reviewed certain grant and payment regimes, work had also been done to review IT access controls on core systems.

The Council's Fraud Investigation Team had been party to denying 7 Right to Buy applications with a further 16 Right to Buy investigations ongoing. The Council Cabinet had approved a new Counter Fraud Strategy, which restated the expectation that everyone acted with integrity when dealing with the Council, the arrangements and systems looked to prevent and detect fraud, with action being taken against offenders.

The Committee acknowledged that there had been no Regulation of Investigatory Powers Act activity during the period quarter 3 2022/23.

RESOLVED: That the Internal Audit Quarter 3 2022-23 report be noted.

10 Lead Councillor Role - Primary Care Networks and Local Health Improvement

The Committee received a report on the learning, experience, and accountability to date of the role of Lead Councillor – Primary Care Networks and Local Health Improvement.

Annual Council at its meeting on 25th May 2022 approved the incorporation of the role of Lead Councillor – Primary Care Networks and Local Health Improvement into the Members Allowance Scheme. Annual Council determined that a review of the new role profile be undertaken after 6 months and that the review included the accountability of those in lead roles, having regard to any learning from the Place Based working role and that a report be submitted to this committee.

The report captured key points from discussion with the Lead Councillors at their meeting in January 2023 in terms of that they thought had gone well so far, and what they thought had gone less well along with recommendations going forward.

During discussion the Committee raised concerns with regards to the Lead Councillor role and the work that had been undertaken with Place Partnerships as well as questioning whether the new roles had added any significant value since being introduced. It was also noted that Overview and Scrutiny Management Committee had submitted recommendations in progressing the Lead Councillor role and the need for engagement with all relevant Ward Councillors. Councillor Smaje, Chair of Scrutiny, outlined details of the recommendations at the meeting.

Richard Parry, Strategic Director for Adults and Health suggested that following a discussion with Governance to map out reporting lines in relation to the issues and points discussed. A conversation with the Chairs of Scrutiny and Corporate Governance and Audit would take place to determine a timeline to when the report should be considered by this Committee.

Councillor John Taylor expressed his disappointment that the Cabinet Member for Health and Social Care and The Leader was not present at the meeting. The Chair advised that the Cabinet Member for Health and Social Care was unwell and that The Leader had an engagement which meant he was unable to attend the meeting.

RESOLVED: That the Lead Councillor Role – Primary Care Networks and Local Health Improvement report be noted.

11 Exclusion of the Public

RESOLVED: That acting under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act, as specifically state in the undermentioned minute.

12 Quarterly Report of Internal Audit Quarter 3 2022-23 October 2022 to December 2022

Exempt information within Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information (Variation) Order 2006, namely Information relating to the financial or business affairs of any particular person (including the authority holding that information).

RESOLVED: That the Committee noted the exempt information, which was an appendix to Agenda item 8.

KIRKLEES COUNCIL				
COUNCIL/CABINET/COMMITTEE MEETINGS ETC				
DECLARATION OF INTERESTS				
Corporate Governance and Audit Committee				
Name of Councillor				
Item in which you have an interest	Type of interest (eg a disclosable pecuniary interest or an “Other Interest”)	Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]	Brief description of your interest	

Signed: Dated:

NOTES

Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your disclosable pecuniary interests under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.

Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.

Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -

- under which goods or services are to be provided or works are to be executed; and
- which has not been fully discharged.

Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

Any tenancy where (to your knowledge) - the landlord is your council or authority; and the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

- (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
(b) either -

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.



Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE
Date: 21st APRIL 2023
Title of report: QUARTERLY REPORT OF INTERNAL AUDIT Q4 2022/23
 JANUARY 2023 TO MARCH 2023

Purpose of report.

To provide information about internal audit work in quarter 4 of 2022/23

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	not applicable
The Decision - Is it eligible for call in by Scrutiny?	not applicable
Date signed off by Strategic Director & name.	not applicable
Is it also signed off by the Service Director for Finance IT and Transactional Services?	not applicable
Is it also signed off by the Service Director for Legal Governance and Commissioning Support?	not applicable
Cabinet member portfolio	not applicable

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public with a private appendix

The appendix to this report is recommended for consideration in private because the information contained in it is exempt information within part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

Have you considered GDPR? Yes

1. Summary

1.1 This report sets out the activities of Internal Audit in the final quarter of 2022/23.

1.2 The report contains information about eighteen audits completed during the period.

- 1.3 There were seventeen planned pieces of work, including four into aspects of financial management of social care (1 substantial assurance: 3 adequate assurance), reviews of two stores systems, and (one adequate, other limited assurance) and routine audits at 5 schools (one secondary and primaries), one of the primaries having limited assurance due to a range of issues, the most important relating to the schools budget position. There was limited assurance relating to a review of a part of the business rates systems, where greater challenge and professional scepticism as regards declarations by clients may be beneficial, and also limited assurance in relation to adoption arrangements where there are concerns about performance and cost.
 - 1.4 In the corporate area, there was adequate assurance related to corporate risk management, and whistleblowing. There was limited assurance as regards corporate complaints handling, as a result of some complaints taking excessive times to address. [Note: The Head of Risk is supervisor of these 3 areas of operating, but audit work is conducted independently]. The Communications Service was rated as having adequate assurance.
 - 1.5 The one follows up this period have the unusual “no assurance” rating which it attracted last time. This relates to a continued failure of the service to make proper arrangements or procurement of services, although additional effort since this audit began should now result in this matter being addressed by summer 2023.
 - 1.6 The proportion of activity that was reviewed in the period and found to offer no or limited assurance was 33%, and cumulatively in the year 29%. However, if schools are excluded (all attracted positive assurance), the cumulative in year results suggest that about 33% of financial processes, and 58% of business processes require improvements. As noted in the last quarterly report, the Executive Team recognise that this is an issue that needs to be addressed, alongside the other challenges that the council currently faces.
 - 1.7 The Council’s Fraud Investigation Team has continuing activity on Right to Buy applications (11), other aspects of tenancy fraud (2) and other areas of fraud (8). Sixty-two referred cases of Blue Badge Misuse have led to prosecution (46%), and warning letters (34%).
 - 1.8 By the year end, of 85 planned pieces for the council, 57 had been completed (67%) although there was some substitute audit work and work carried forward from 2021/22 which provided opinion assessment.
 - 1.9 The format for this report is consistent with that used in previous quarters this year. Recognising the Public Sector Internal Audit Standards external review advice that the format of reporting be potentially amended, this will be explored in respect of reporting in 2023/24.
 - 1.10 It was agreed at March 2018 Council that this Committee consider any surveillance activities under the Regulation of Investigatory Powers Act 2000. There are none this quarter.
2. **Information required to take a decision.**
 - 2.1 The detail of the audit work performed this quarter is contained within the private Appendix.
3. **Implications for the Council**
 - 3.1 **Working with People** – None directly
 - 3.2 **Working with Partners** – None directly
 - 3.3 **Place Based Working** – None directly.
 - 3.4 **Improving outcomes for children**– None directly
 - 3.5 **Climate change and air quality**- None directly

- 3.6 **Impact on the finances of local residents-** None directly
- 3.7 **Other (e.g., Legal/Financial or Human Resources)-** Although each of the sub categorisations above suggest no direct implications, the work of internal audit covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis. The main issues relate to those areas highlighted above- where there are risks associated with basic processing arrangements and delivering sound governance and control.

4. Consultees and their opinions

There are no consultees to this report although heads of service/directors participate in and respond to individual pieces of work.

5. Next steps and timelines

- 5.1 To consider if any additional activity is sought. (Limited assurance audit outcomes are routinely followed up)

6. Officer recommendations and reasons

- 6.1 Members are asked to note the Internal Audit Quarterly Report and determine if any further action is sought on any matter identified.
- 6.3 Members are also asked to note that there has been no Regulation of Investigatory Powers Act activity during the period quarter 3 2022/23.

7. Cabinet portfolio holder's recommendations

Not applicable

8. Contact officer

Martin Dearnley, Head of Risk & Internal Audit (01484 221000 x73672)

9. Background Papers and History of Decisions

Previous Quarterly Reports, Audit Plan, and confidential appendix.

10. Service Director responsible

Not applicable

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Name of meeting: Corporate Governance & Audit Committee

Date: 21st April 2023

Title of report: Annual Report of Internal Audit 2022/23 & Issues for 2023/24

Purpose of report; To provide information about

- Internal Audit activity and the effectiveness of the system of risk management, governance and internal control, and conclusions on the control environment and assurance provided in 2022/23
- Internal Audit activity planned for 2023/24

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Not applicable
The Decision - Is it eligible for "call in" by Scrutiny?	Not applicable
Date signed off by Director & name. Is it also signed off by the Service Director for Finance?	Not applicable
Is it also signed off by the Service Director for Legal, Governance & Commissioning?	Not applicable
Cabinet member portfolio	Not applicable

Electoral wards affected: All.

Ward councillors consulted: Not applicable.

Have you considered GDPR; Yes?

Public

1. Summary

1.1 These reports provide information about

- (a) Internal Audit activity in the year to 31st March 2023 and provides an "opinion" on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control, and advises as regards compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and Code of Ethics.
- (b) Priorities and issues for the year 2023/24, and recognising current good practice, provides a recommended Audit Plan for the first part of 2023/24, and a provisional plan for the second half of 2023/24 and a recommended 2023/24 audit mission, charter and strategy.

2. Information required to take a decision

- 2.1 The year 2022/23 was more normal than the previous two, with 83 formal tasks completed, although there was also a substantial amount of other activity to support the ongoing business activities of the council. From the beginning of the year the internal audit function also took on customer counter fraud activity, previously provided by the Exchequer service. The year also involved a much more structured approach to risk management.
- 2.2 The two reports provide information about.
- (a) The year just completed (2022/23) and assurance obtained, through routine work and otherwise, and this is necessary to ascertain judgements on the quality of the organisations governance, risk management and control arrangements. As the report notes, overall assurance from audit work is at 71%, but this is masked by a high performance by schools adequate performance on financial systems and controls, but poor assurance outcomes on business controls and from follow up audits.
- (b) A Plan for 2023/24. It is suggested that this year this be split into a Spring Summer (Q1, Q2) plan, and a provisional autumn/winter plan (Q3, Q4) which can be adjusted based on council need and the internal and external environment creating changed assurance priorities. The attached report sets this out, and other issues relating to obtaining assurance in 2023/24 in more detail. A revised mission, strategy & charter is also contained as Annex D to the second report.
- 2.3 This Committee also needs to review, and indicate that it is content as regards, the effectiveness of the system of internal control. The attached report (a) contains material intended to assist the Committee in reaching a decision.

3. Implications for the Council

- 3.1 **Working with People** – None directly
- 3.2 **Working with Partners** – None directly
- 3.3 **Place Based Working** – None directly.
- 3.4 **Improving outcomes for children**– None directly
- 3.5 **Climate change and air quality**- None directly
- 3.6 **Other (e.g., Legal/Financial or Human Resources)**- Although each of the sub-categorisations above suggest no direct implications, the work of Internal Audit covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis. The main issues relate to those areas highlighted above - where there are risks associated with basic processing arrangements and delivering sound governance and control.

4. Consultees and their opinions

- 4.1 Not applicable, although senior managers have been consulted on the draft plan.

5. Next steps & Timelines

- 5.1 This report informs the preparation of the Annual Governance Statement for 2022/23.
- 5.2 Audit activity in 2023/24 will concentrate on major areas of risk and control, assurance. Resources will be available to investigate fraud, and significant areas of concern on a reactive basis.

6. Officer recommendations and reasons

- 6.1 The Committee is asked to confirm it is content with:
 - (a) The effectiveness of its Internal Audit function, and to note its conformance with Public Sector Internal Audit Standards and Code of Ethics
 - (b) In respect of 2022/23
 - (i) The effectiveness of the Council's overall system of internal control
 - (ii) The effectiveness of the broader control environment, risk management and governance arrangements of the Council (subject to the observations contained within the report).
- 6.2 The Committee is asked to note the findings from internal audit activity in 2022/23 and determine if it wishes to seek further confirmations or make further determinations on these matters.
- 6.3 In respect of 2023/24 the Committee is asked to.
 - (a) approves the
 - (i) Internal Audit Mission, Strategy and Charter
 - (ii) 2023/24 Audit strategy report,
 - (iii) The proposed Audit Plans for 2023/24; (April 2023 to September 2023 Q1, Q2) and draft plan for 2023/24 (October 2023-March 2024 Q3, Q4)
 - [b] give authority for the Head of Internal Audit to vary the proposed audit plan as is considered necessary, subject to reporting back as a part of the quarterly review process.

7. Cabinet portfolio holder recommendation

Not applicable.

8. Contact officer

Martin Dearnley, Head of Risk 01484 221000 (73672)

9. Background Papers and History of Decisions

The Annual Report of Internal Audit 2022/23

The Audit Strategy Report for 2023/24

The audit mission, charter and strategy (2023/24 version)

10. Service Director responsible

Not applicable.

KIRKLEES COUNCIL
CORPORATE SERVICES: RISK SERVICE
INTERNAL AUDIT

ANNUAL REPORT OF INTERNAL AUDIT 2022/23

1. **Introduction**

- 1.1 This report provides a summary of the activities and performance of Internal Audit during the year and assesses the adequacy and effectiveness of the Council's governance, risk management and control environment arrangements during 2022/23.

2. **About Internal Audit**

- 2.1 The scope of Internal Audit's activity is established by the Council's Financial Procedure Rules and the Internal Audit Mission, Strategy and Charter. These rules include a right for Internal Audit to have free and unrestricted access to carry out work as is considered appropriate by the Head of Internal Audit (the Head of Risk).
- 2.2 Internal Audit reviews the Council's assurance framework for governance, risk management and business systems and controls. Some assurance is obtained through the work of other agencies - such as the Council's Health and Safety team. (The Corporate Governance & Audit Committee have considered this wider assurance).

Internal Audit time is spent:

- (a) Assessing arrangements for financial control.
- (b) Assessing arrangements for other business and organisational controls – such as IT.
- (c) Investigating allegations that the Council's business activities may not be operating in the ways intended.
- (d) On work related to contracting strategy and contractor appraisals.
- (e) To a very limited extent on value for money.
- (f) Resolving a range of finance and control related issues (the most significant of which are reported in the Quarterly Reports).
- (g) On fraud investigation, detection and prevention
- (h) Contributing generally and providing advice to Council wide and Service specific matters related to governance, risk, financial and business control.

Whilst Internal Audit work can provide some assurance about business processes, it is not resourced in a way to assess the judgement of other professionals.

- 2.3 Quarterly Reports on the activities of Internal Audit have been provided to the Corporate Governance and Audit Committee. These reports provide.
- (i) an opinion about the level of assurance that can be taken from each planned audit on the arrangements in operation at the time of each audit.
 - (ii) an opinion about follow-up of earlier Internal Audit work.
 - (iii) information about investigations, and other Internal Audit activity.
- Implementation of the agreed recommendations should provide a satisfactory degree of control in all cases.

3. Summary of Audit Work in 2022/23

- 3.1 The Kirklees audit plan included 85 pieces of work, of which 57 were completed alongside 10 unplanned pieces, including investigations. The completion rate of planned work was two thirds, or three quarters if unplanned work which could attract an opinion is included. Most audit work concludes with an assurance-based opinion, sixty-three pieces of work in the year attracted audit opinions, as shown in the table below.

Area	Opinion:					
	Positive Assurance			Negative Assurance		
	Total	<i>Substantial</i>	<i>Adequate</i>	Total	<i>Limited</i>	<i>No</i>
OVERALL	71%	35%	36%	29%	29%	0%
Financial Systems & Processes	67%	21%	46%	33%	33%	0%
Business Controls	42%	0%	42%	58%	58%	0%
Schools	96%	61%	35%	4%	4%	0%
Follow Up	33%	17%	17%	66%	49%	17%

Against a typical year expectation that about 20% of arrangements would not offer acceptable assurance, this year's outcome at 29% is a somewhat high. However, the overall figure is masked by a very strong outcome for schools, and a poor outcome on business control arrangements and follow ups. [The low levels of assurance received from Follow Up audits has been recognised as an issue by senior management and activity is underway to increase focus in this area, utilising the quarterly risk management reporting process, to drive regular review of progress against recommendations.]

- 3.2 The poor outcome on business controls may reflect that the areas covered included a number of ambitious areas, such as modern slavery, attendance management and school exclusions. In some areas greater emphasis on fraud prevention may also have impacted on outcomes. There were a very large proportion of follow up audits that continued to find a lack of adequacy, although, in most cases, there had been progress in some areas.
- 3.3 There were several investigations reported during the year, related to issues related to direct payments, and allegations about a contractor.
- 3.4 Audit time has also been spent on more routine projects and activities such as:
- Support to governance and control arrangements generally.
 - Preparation of the Annual Governance Statement, although due to the late adoption of the plan this year there was no monitoring of progress.
 - Monitoring and updating Contract Procedure Rules (CPRs) and Financial Procedure Rules (FPRs).
 - Financial appraisal and scoring of applicants for contracts and other aspects of assessing or approving the Council's contractual arrangements.

- Support to the Information Governance Board, and implementation of GDPR /Data Protection Act
 - Support to corporate projects (such as waste management, district heating)
- Internal audit also completed a review of the councils compliance with the CIPFA Financial Management Code.

3.5 There is an increased expectation that the head of internal audit signs off grant claims for money from the West Yorkshire Combined Authority, and for some, (but not all) government grant awards. Some of these regimes are difficult to comply with.

3.6 Understanding arrangements for risk management is an important aspect of gaining assurance. Although linked to internal audit only through management, the council has taken steps to substantially strengthen risk management arrangements, and this area has a positive opinion, and is of importance in reaching a conclusion about the control environment. In summary the areas defined as those of corporate risk areas are.

Financial Sustainability	Higher Risk Areas
Statutory Obligations	
Resilient Operational Processes	
Workforce Development	
Community Wellbeing	
Safeguarding	Medium Risk Areas
Climate Change	
Physical Assets & infrastructure	
Third Party Relationships	
Effective Governance	

3.7 Although the Council used a risk-based audit plan in achieving the coverage of business and activity areas on which this opinion is based, the assurance framework delivered by Internal Audit is necessarily not comprehensive. Whilst coverage of financial (and commercial) business processes and governance is risk based, it does not assess the areas that involve professional judgement, particularly in relation to care related services and some other assessments that relate to individual needs.

3.8 The Corporate Governance & Audit Committee can gain wider governance assurance from some other sources, (E.g., health & safety, information governance and corporate complaints/ombudsman) although this could perhaps be more structured and extensive, (a matter that will be separately reported).

Areas of assurance required	Sources of assurance
Financial sustainability	CFO & finance team reports re financial position to Cabinet and Council, annual budget council. External audit contribution
Financial control	External and internal audit activity, role of CFO and finance team -e.g., re budget monitoring, treasury management reporting
Governance	Director of Legal, Governance & Commissioning, and councils legal/information governance teams. Financial oversight by Finance team. Careful oversight of decision making by Council, Cabinet, relevant committee and officers. Council procedure Rules, FPRs, CPRs
Business Control	Internal audit, Information technology, health & safety, emergency planning
Complaints	Service complaints mechanism, oversight by corporate complaints team, commentary from Ombudsman
Human resources	Peoples Services exercise control of staffing arrangements and management, recruitment, grading, payroll etc
Other regulatory	Ofsted, CQC, Ombudsman, Social Housing Regulator, HSE

- 3.9 From April 2022, internal audit took full responsibility for fraud investigation, and took on the management of the fraud team, who were previously part of the Welfare & Exchequer service. The team investigated areas of customer fraud- particularly Right to Buy, tenancy and misuse of disabled parking permits (blue badges). During the year, the strategy to counter fraud, bribery and corruption was amended by Cabinet, and an internal fraud risk panel was established. A number of positive outcomes in terms of right to buy refusals, and tenancy recoveries were achieved, alongside routine pursuit of those misusing blue badges. One case of abuse of the Covid grant schemes resulted in criminal conviction of the perpetrators, and recovery of grants, and costs. The fraud team has 4 employees (just over 3 fte), although one team member left toward the end of the year.
- 3.10 Work continues to be performed for Kirklees Active Leisure (KAL). Outcomes are reported to KAL's own Audit Committee. Audit work is also carried out for West Yorkshire Fire & Rescue Service (WYFRS), who make substantial use of Kirklees financial systems. WYFRS has its own Audit Committee.
- 3.11 The staffing position in the Internal Audit team was adequate, although at the year end one internal audit manager left, and another member of staff indicated an intention to leave during summer 2023. The intention is to seek replacements for these posts to continue emphasis on organisational control and assurance.
- 3.12 As noted in 2.1, the Financial Procedure Rules and the Audit Strategy and Charter document allow Internal Audit unrestricted access to consider areas of activity as they see fit in providing this audit opinion. At no point during the year

has any Officer or Member sought to influence or restrict the scope or areas of activity of any piece of work.

- 3.13 The conclusions reached in all the work presented are those of Internal Audit.
- 3.14 Internal Audit operates within the Public Sector Internal Audit Standards (PSIAS), which is a derived form of the international internal auditing standards. The function was subject to an external assessment (on a peer review basis by the Head of Audit at City of Doncaster Council) during the year. The assessment concluded that the activity operated at the highest standard – “generally conforms” to the PSIAS and Code of Ethics. Shared Appendix 1 at the end of this report provides a summary of the recommendations and shows what action has been taken to date to implement these recommendations. Appendix 1A also shows matters identified by an internal assessment in 2021/22 and progress made.
- 3.15 During 2022/23 the Head of Audit & Risk carried out some wider organisational duties that might be considered to conflict with the purely independent role of the Head of Internal Audit. These relate to roles in relation to Council corporate risk management processes, supervision of the insurance and the complaints functions and limited contract and project advice. Any conflicts are handled by independent reporting, and the conflict is stated in any Internal Audit reports- such as the quarterly reports. An activity distribution of the Head of Internal Audit is contained in Annex 2 to this report.
- 3.16 The information that exists to reach an opinion on the overall control environment that applied in 2022/23 can be considered to be:
- (1) The assurance work for 2022/23- 71% of which overall was positive, although as noted in section 3.1, (and annex 1) the average masks a wide variation, with financial systems and arrangements being two thirds positive, whilst those for more general business controls there are more than half inadequate. The assessment of compliance with the CIPFA FM code also found that procedures are in accordance with expectations (with some areas for improvement)
 - (2) Other assurance information provided to the Committee during the year, e.g., from the Investigator of Regulatory Powers, from the external auditor regarding their work on the 2022/23 accounts and internally re Information Governance, Health & Safety and Customer Complaints.
 - (3) The Head of Internal Audit’s wider knowledge- heavily subordinate to the other aspects above- about the broad operation of the control environment of the organisation, supported by assessments that basic financial procedures such as reconciliations are being operated.
- 3.17 The organisation has a sound system of financial control, although the audit work suggests there is scope for improvement in other areas of business control to ensure that the objective continue to be met. To an extent, the absence of adversity issues (such as large number of errors, mistakes, fraud) also needs to be recognised in reaching an opinion.
- 3.18 On the basis of the evidence available, the organisation appears to have.
- a. Adequate arrangements for sound governance.

- b. Adequate arrangements for risk management.
- c. Adequate systems for financial control.

There would appear to be a need to address a number of areas for general business controls.

4. **Performance Measures of Internal Audit**

- 4.1 There is very little comparative benchmarking available about the costs of Internal Audit. Comparison of staffing numbers locally suggest that taking account of Council (and other) activity, the Kirklees IA team remains smaller than others, some of which have recently looked to strengthen their internal audit coverage.

- 4.2 The targets for performance, and those achieved were.

<u>Objectives</u>	<u>Performance Measures- target</u>	<u>Performance Measures - achieved</u>
Achieve planned audit work as adjusted	80% of planned audits achieved	64% from plan 76% with substitutes
Achieve each planned audit within budgeted time allowed.	80% of planned work achieved within initial time budget	69%
Achieve high level of work quality and customer satisfaction.	90% good or better responses to customer questionnaires	Not recorded
Delivery of completed audit work	85% of draft reports issued within 10 days of completion of site work	90%

- 4.3 A quality assessment based on the consistent assessment criteria did find that all the work was compliant with the Standards.

5 **Effectiveness of the system of Internal Control- Internal Audit**

- 5.1 The Accounts & Audit Regulations (England) require an Authority to conduct an annual review of the effectiveness of their system of internal control. An understanding of the arrangements of Internal Audit supports the ability to utilise the opinion of the Head of Internal Audit on the internal control environment as a key source of evidence in the Annual Governance Statement. As noted previously, the systems of assurance about internal control come from a wider source than just Internal Audit, although it is a primary source of assurance.
- 5.2 Financial Procedure Rule 5.6 requires the Head of Audit & Risk to review the systems of Internal Audit on an annual basis. The Public Sector Internal Audit Standards (PSIAS) make it a responsibility of the Head of Internal Audit to carry out periodic internal reviews and every 5 years have an external review of the Internal Audit function and report these to this Committee as noted. The external review was completed this year.

6. Conclusions

- 6.1 This report has summarised the activities of Internal Audit during 2022/23. Detailed information has been provided to Corporate Governance & Audit Committee during the year.
- 6.2 There is just sufficient evidence to demonstrate that the Council's system of governance, risk management and internal control is effective and that the opinion of the Head of Internal Audit on the internal control environment can be relied upon as a key source of evidence in the compilation of the Annual Governance Statement, for the reasons explained in the report. There is a further caveat, that the assurance coverage is sample based and not absolute across the entire range of organisational activity.
- 6.3 The proportion of audit work which resulted in an assessment providing at least adequate assurance is 71%. The remaining were of "limited assurance", save for one (2%) "no assurance" this year.
- 6.4 There are no areas where, following audit recommendations and discussion, management have formally chosen to refuse to implement recommendations for action (and accordingly overtly accepted the potential consequences as a risk).

7. Annual Governance Statement

- 7.1 Information generated by Internal Audit forms a key part of the Council's assessment of the quality of its organisational and business controls and the degree of assurance that can be placed upon their operational effectiveness. This information is used in preparing the Council's Annual Governance Statement which accompanies the Statement of Accounts.
- 7.2 The positive opinion that the Council's arrangements provide an adequate and effective control environment needs to be considered in the context of the breadth of assurance provided by Internal Audit, and the comments contained in this report. There are several areas that might appropriately be escalated to the Annual Statement of Governance, and these are covered in a separate report to be considered by the Committee in due course.

Contact Officer

M E Dearnley – Head of Internal Audit; (Head of Risk) – 01484 221000 - x 73672

Annex 1

INTERNAL AUDIT ASSURANCE ASSESSMENTS DETAILED PERFORMANCE STATISTICS FOR 5 YEARS

	2022/23	2021/22	2020/21	2019/20	2018/19
Number of days spent on planned and unplanned audit work	1,260	957	1,195	1,376	894
Number of financial processes and systems examined.	19	11	14	32	11
Percentage offering limited assurance.	37%	36%	36%	16%	27%
Number of school audits undertaken	28	23	12	29	34
Percentage offering limited assurance	4%	0%	0%	10%	6%
Follow up audit work carried out.	6	5	12	13	9
Percentage offering limited assurance	66%	28%	50%	31%	55%
Number of business control audits undertaken	10	6		15	14
Percentage offering limited assurance	60%	17%		27%	36%
Number of investigations into irregularity	3	6	0	7	2
Number of managements, governance or value for money studies	1	0	5	3	0
Number of grant audits, consultancy, projects	16	15	17#	13	19
Completed formal tasks.	83	68	43	112	89
Overall percentage of reported audits providing only limited assurance/ *unsatisfactory (Corporate target 20%)	29%	15%	29%	18%	22%

Annex 2

Time spent analysis by Head of Audit & Risk		2022/23% all year	2021/22 % all year	2020/21 % all year
Specific IA projects, investigations		*	9	8
General Advice	Childrens	5	4	1
	Adults	3	6	5
(#) advice includes corporate projects	Environment & Regeneration*	34	28	27
	Corporate	10	9	10
Fraud		6		
Procurement & FPRs & CPRs		3	5	13
Risk Management		8	6	7
Trust Funds		12	14	10
CGAC advice		8 #	6	5
Management & Supervision		11	13	14

(*) all project work in 22/23 related to Regeneration function.

(#) includes support to the LGA Y&H Regional chairs forum.

KIRKLEES COUNCIL
CORPORATE SERVICES: RISK SERVICE
INTERNAL AUDIT

INTERNAL AUDIT STRATEGY & PLAN
FOR 2023/24

1. **Introduction**

- 1.1 This report provides information about how Internal Audit will assesses the adequacy and effectiveness of the Council's governance, risk management and control environment arrangements during 2023/24 and discusses other issues that relate to that year. The report recommends an Audit Plan for the first half of 2023/24 and a provisional plan for the second half of the year.

2. **Internal Audit Plan for 2023/24**

- 2.1 The responsibility for an effective audit function is a shared responsibility between the organisation, and its Head of Internal Audit, with the organisation recognising the importance of adequate and effective arrangements for governance, risk management and internal control, and the Head of Internal Audit ensuring an independent function looking to achieve best practice, that effectively engages with the organisation and the Corporate Governance & Audit Committee.
- 2.2 A risk based draft plan is presented for consideration by this Committee which has been subject to consultation with Strategic Directors and their management teams. There are no longer Service specific audit plans, although operational staff, Heads of Service and Directors are still expected to participate in audit planning, delivery, and response to findings. The need for an audit plan to be subject to adjustment to reflect changing internal and external (reflecting national and international) events means that it is now considered good practice, to approve a plan for the first half of the year, and a provisional plan for the second half.
- 2.3 The Plan for Spring and Summer 2023/24 (Q1, Q2) and the provisional plan for Autumn and Winter 2023/24 is prepared around objectives to:
- a) Look at high value or high-risk activity and
 - b) Review (at least in part) core systems and basic financial operations,
 - c) Ensure basic compliance with processes.
 - d) Continue to emphasize business control area assurances.
 - e) Follow up those with inadequate assurance outcomes.
 - f) Investigate fraud and inappropriate behaviour and mitigate opportunity where possible.
 - g) understand and improve value for money. and
 - h) continue to enhance risk management.
 - i) understand the wider assurance environment to ascertain if it achieves a full set of entity control and assurance.
- 2.4 The external PSIAS assessment suggested that the council should consider if the volume of activity related to schools should be maintained. This is a core part of the internal control assurance process relating to community schools, so it is recommended that in quarter 1 and 2 this area of assessment be retained, although it may be an opportunity for resource realignment later in the year.

- 2.5 The suggested plan is attached as Annex A, summarised as

Plan Period	Planned new work	Schools	Follow up	Total
Q1 Q2 spring summer	26	12	10	48
Q3 Q4 autumn winter (Provisional)	29	16	11	56
Totals	55	28	21	104

- 2.6 The large volume of follow up work, because of the poor outcomes means that the plan is ambitious, although there should be scope for greater operational effectiveness this year, although a threat is staff turnover, or other limits on resources.
- 2.7 The schedule of key systems, organisational and business controls is attached as Annex B. Notwithstanding the comments that the plan should be more flexible, this remains the core menu from which many audit tasks- to understand core assurance- need to be chosen from.

3. Counter Fraud, Bribery and Corruption activity in 2023/24

- 3.1 Counter fraud, bribery and corruption activity will continue to address areas of customer fraud, (for example right to buy and tenancy) and other incidents or suspicions of fraud, bribery or corruptions amongst the councils own workforce, and from suppliers and related organisations.
- 3.2 In accordance with the newly adopted Strategy, activity will look to be more proactive in working with service managers to ensure staff awareness and ensuring that operating arrangements are designed to mitigate fraud, bribery and corruption risk.
- 3.3 If the need, or opportunity arises there may be proactive work directed at areas perceived to have a high risk of fraud, bribery or corruption.

4. Risk Management activity in 2023/24

- 4.1 Risk management has been substantially enhanced, and this positive progress will continue, by ensuring that risk management is both “fit for purpose” and sufficiently sophisticated to provide a balanced picture of risk exposure to the organisation.
- 4.2 Its success though will depend on continued engagement, particularly by senior and middle management.

5. Internal Audit resourcing, reporting, performance and targets for 2023/24

- 5.1 Every activity will still be in view for Internal Audit, albeit this will be over a timescale of longer than the historic 5-year cycle. Under resourcing for some years, and the very serious impairment to normal assurance for 2 years has impacted on the ability to assess overall assurance.
- 5.2 The plan is based on a reasonable level of productivity during the year, and no further diversion of resources, or significant impediments to delivery of work. If these cannot be fulfilled, this will impact again on the overall volume of work that can be achieved.
- 5.3 There is a need for flexibility, and to provide the Head of Internal Audit with authority to flex the plan to meet organisational needs in relation to assurance

that processes being operated are sound and free from inappropriate actions or influences.

- 5.4 The performance targets for Internal Audit are at Annex C.
- 5.5 Reflecting comments in the external assessment, new ways of reporting internal audits work will be explored from quarter 1, 2023/24.
- 5.6 Audit work will be performed in accordance with the Audit Mission, Strategy and Charter, the 2023 version is shown at Annex D. This has been subject to some revisions as recommended by the external review.
- 5.7 However, the Institute of Internal Auditors (IIA) have indicated an intention to publish new standards by Summer 2023, which it is anticipated will be more rigorous. It is therefore proposed to make only minor changes to the current document (to reflect the recommendations), and to look to fully revise the documents to align with the new standards. These IAA obligations (and the likely government mandated adjustments for the UK public sector, likely to be led by CIPFA) may also require other changes to internal audit practice, which will be reported separately in due course.
- 5.8 The report notes that two audit, and one fraud team employee left the service last year, with at least one other likely to do so this year. The age profile of the team is such that almost half the team would be able to choose early retirement in the current year. The service is small and specialist, and recruitment can be difficult at times. The organisation has approved recruitment of staff to replace the audit manager and provide supervision capacity for the fraud team (which was not transferred from Exchequer).
- 5.9 Notwithstanding the organisations need to reduce overall expenditure, the councils continuing ambitions, and the limited coverage of assurance work in recent years and the large proportion of audits that reach a conclusion that arrangement provide only limited assurance, particularly in relation to business controls (which then also require resources to follow these up), means that it is most unlikely to be appropriate to look to make further savings in the activity, which really needs to continue to enhance the numbers of and skills of junior employees (building on the reinstated trainee accountant programme, that reflects staffing challenges in both the risk and wider accounting function)

6. Conclusions

- 6.1 This report has set out a suggested approach for the year 2023/24.
- 6.2 This will be a challenging year for the council, and through work on assurance, activity to counter fraud, bribery and corruption risks and effective risk management the wider internal audit function can assist the organisation.

Recommendations are included in the cover report.

Contact Officer

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Annex A

DRAFT INTERNAL AUDIT PLAN 2023/24

An effective audit plan needs to reflect the organisation's needs, which are depended on events and issues both internally and out with the authority. As these can develop at short notice, it is no longer advised to have a fixed audit plan based on historical risk scores and an "Audit universe". Instead, a plan needs to reflect need, whilst retaining a balance of work between that which is strategic and that which addresses detail, as part of the overall assurance must reflect that the organisations basic systems and arrangements remain sound and effective. Given the continuing constraint on resources, the audits listed are the proposed first half of the year, with a provisional list for the second half of the year.

Follow up audits relate to audits in 2022/23 which produced a *Limited Assurance* opinion. The draft plan has been prepared in accordance with the Public Sector Internal Audit Standards.

DRAFT PLAN 2023/24	April to September 2023
<u>Children</u> 2 x High Schools 10 x Primary Schools Residential Care Homes Fostering Allowances SEND IF follow up. Troubled Families Claims <u>Corporate</u> Cyber Security Third Sector Support SAP Category Management NHS Toolkit Legal Disbursements Income Management NDR Billing Revenues Write-offs Blue Badge Assessment CT & NDR Data Validation Follow up. Health & Safety Healthy Child Follow up. <u>All</u> Service Complaints	<u>Environment</u> Taxi Licensing Follow up. School Transport Follow up. Memorial Safety Cliffe House School Catering Procurement F/up Meadow Green Catering Income F/ up Pool Cars Follow up. WYCA Grants <u>Growth & Regen</u> Energy Supply Contracts Rent Setting HRA Responsive Repairs HRA Mould / Damp HRA write-offs <u>Adults</u> EDS Follow up. Care Phones Domiciliary Care Payments DOLs Registration Service Modern Slavery Follow up. Domestic Abuse Part 2

PROVISIONAL DRAFT PLAN 2023/24	October 2023to March 2024
<u>Children</u> 16 x Primary Schools Regional Adoption Agency Follow up. Leaving Care School Exclusion Follow up. School Admissions Troubled Families Claims <u>Corporate</u> Network Access Performance Management Members Code of Conduct Data Security & Sharing Accounts Receivable Recovery CT Refunds Bank Reconciliation VAT NDR Reliefs & Exemptions Follow up. Payroll Mandatory Training Follow up. Attendance Management Follow up. Lone Working Follow up. <u>All</u> Project Management	<u>Environment</u> Bereavement Income Parks Parking & Traffic Enforcement Highways Plant & Machinery Highways Materials <u>Growth & Regen</u> Temporary Accom 2nd Follow up. Asbestos Management HRA Regulatory Compliance BS Plant & Equipment Follow up. BS Van Stock Follow up. HRA Rent Income HRA Current Arrears <u>Adults</u> Client Finances Follow up. KICES Gateway to Care Live Well Kirklees CQC Assurance Shared Lives Community Languages Follow up. Prevent Personalised Care

Annex B

KEY CORPORATE SYSTEMS 2023/24

Financial Systems & Controls

Payroll (SAP)
Debtors (SAP)
Procurement / Creditors (SAP)
Council Tax
Business Rates
Council Tax Reduction Scheme (residual Benefits)
Housing Rents
Treasury Management
Payments for Social Care
School Payments
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Key Organisation & Business Controls

Code of Corporate Governance
Contract Procedure Rules
Financial Procedure Rules
Contract Management
HR Operations
Risk Management
IT Controls
Performance Management Systems
Partnership Governance
Emergency & Business Continuity Planning
Information Security
Health & Safety
Fraud, Bribery & Corruption Risk
Corporate Complaints
Whistleblowing

Annex C

INTERNAL AUDIT PERFORMANCE TARGETS 2023/24

<u>Objectives</u>	<u>Performance Measures</u>
Achieve planned audit work as adjusted	80% of planned audits achieved
Achieve each planned audit within budgeted time allowed.	80% of planned work achieved within initial time budget
Achieve high level of work quality and customer satisfaction.	90% good or better responses to customer questionnaires
Delivery of completed audit work	85% of draft reports issued within 10 days of completion of site work

Annex D

Internal Audit Mission, Strategy & Charter 2023-24

Appears after the shared appendices.

Shared Appendix A

Recommendations from the External Assessment of Internal Audit 2022

Ref	Recommendation	Management Response / Action	Timescale	Status
	Audit Charter & Strategy			
1	It is recommended that the Charter be separated from the Strategy and that the Mission of Internal Audit be included within the document.	Agreed; we will look to redraft the version during the next 3 months, and ask the Corporate Governance & Audit Committee to consider and approve a revised document as a part of the 2023/24 audit planning process	Approval at CGAC April 2023	Mission, Strategy & Charter now included.
2	Audit Team related issues			
2a	Ensure the authority makes plans to cover the wider roles and responsibilities provided by the Head of Audit (Risk)	The Directors-Legal Governance & Monitoring and Finance, acknowledge this and are considering arrangements re succession planning	At the appropriate times (which cannot currently be defined)	No change
2b	Ensure the team maintain sufficient capacity to discharge its responsibilities and add value to the organisation. It also needs to be able to evolve for the future delivery of Internal Audit and the skill sets this will require.	Agreed; this depends on maintaining a capacity of competent, and appropriately skilled team members, through internal promotion and external recruitment as opportunities arise.	Ongoing/ from point of any future approved recruitment	Need to ensure appropriate capacity-see report
2c	Consider the strategy for delivering assurance over Kirklees' schools and if there may be different ways of gaining this e.g., through thematic based audits, promoting lessons learned from audits undertaken etc.	As a principle accepted, although this depends on both the audit resourcing capacity, and the expectations from those within the wider organisation. Will subject to review discussion.	Discussion by April 2023	Annual report advises retention of capacity in Summer 23, but reviewed in second half of year
2d	The ongoing development of the newer members of the team should be maintained	Agreed	March 2023 staff appraisals, and ongoing	ongoing
2e	Review the job titles of Audit Staff below Audit Manager level to ensure their role in	Agreed. Whilst there are advantages of maintaining alignment with other	At time of next recruitment.	Job titles being made rather more

Ref	Recommendation	Management Response / Action	Timescale	Status
	the authority and the nature of the work they deliver is understood.	finance posts for career and grading reasons, the titles will be made more distinct, and the role profiles amended to emphasise the key expectations go beyond those of finance for many post holders. Will do this for new recruits and if possible, for existing post holders		specific, but depends on HR approval
3	The Counter Fraud Team			
	Continue further developing the Counter Fraud team to align with the revised counter fraud strategy	Agreed; changes depend on developing skills and capacity	From time of approval of new Strategy, and then ongoing	Incorporated in 2023/24 strategic plan
4	Code of Ethics			
	All audit staff could complete a separate ethics declaration covering all aspects highlighted in the Standards.	Agreed. Can ask staff to update these declarations annually too	April 2023, and annually thereafter	Done in April 2023
5	Corporate Governance and Audit Committee			
5a	Progress the appointment of the Independent Member - this will provide further support to the operation of the committee, in particular in maintaining its apolitical conduct. The independent member will also likely enhance the skills, knowledge and experience collectively held within the committee.	This is to be progressed during January 2023. If a recruitment takes place, it is hoped the post holder can take up duties at the end of this financial year	March 2023	Independent Member appointed March 2023
5b	Review the level of information reported in the private session of the committee around the work of the internal audit team to strike an accepted balance between openness and transparency and need to maintain confidentiality and not expose the council to abuse of systems and controls through putting inappropriate information into the public domain	The CGAC will be asked to consider this alongside some amended reporting formats which might help with achieving a slightly amended balance between openness and the need for confidentiality.	April 2023 And July 2023	Revised format proposed to start with Q1 23/24

Ref	Recommendation	Management Response / Action	Timescale	Status
5c	The Annual Report of the Head of Internal Audit for 2022/23 should provide separate opinions over risk, governance and control arrangements in line with CIPFA guidance	Agreed; this will be changed in the Head of Internal Audit annual report for the year 2022/23 (& thereafter)	April 2023	The annual report for 2022/23 separates these opinions
6	Action tracking and reporting			
	The arrangements for checking the implementation of agreed management actions arising from audit findings should be reviewed to ensure best value is obtained from audit work carried out and that management are held to account when significant actions are not implemented within timescales they provided.	Agreed. We will explore the opportunities for strengthening follow up arrangements for all audit work and ensure that this is systematically reported to the Corporate Governance & Audit Committee. (Although it is important that this process does not detract too much from delivery of the initial audit work)	July 2023	Progress in seeking engagement from directorates in implementing recommendations

Shared Appendix A1

Annual Review of Internal Audit- Internal assessment – 2022

Note only item 1 was raised as an issue during the external assessment in 2023.

	Recommendations	Actions	Update
1	Some elements of the Strategy and Charter do not align with recommended practice	Amend Charter/Strategy	Amended 2022, and further amended 2023 (but see text)
2	Explore further options to obtain customer feedback (1311 assessment) (from 2021)	Consider other options	This remains an issue as attempts to get engagement is limited, although some director engagement and directorate SLTs visited
3	Potential concern that skill mix does not match workload and aspirations (1200 Proficiency) (from 2021)	Assess skills -especially of new staff-and options and report back	Remains an issue (see text)
4	Ensure full involvement of senior management in processes (20101 Planning/ 2060 Reporting)	Share plan and charter with senior management	Done in 2023 (albeit timings do not allow full engagement)
5	Progress work on wider “other assurance” sources (2050 Coordination)	Determine if additional work still required on “other assurance”	Summer 2022. This work still requires further development. See text.

KIRKLEES COUNCIL

INTERNAL AUDIT

MISSION STRATEGY AND CHARTER

2023-24

EXECUTIVE SUMMARY- INTERNAL AUDIT MISSION, STRATEGY & CHARTER

1. Internal Audits mission is to independently assure the organisation and its management in achieving its objectives, by providing assurance, advice and insight.
2. Its work will involve.
 - a) Assurance about the internal financial and (other) business controls, and the Council's broader assurance framework, including both a programme of planned assurance based internal reviews, and other more ad hoc assurance based work and projects.
 - b) Advice and insight/consultancy work as commissioned, relating to business, financial and process controls and value for money, efficiency, and effectiveness.
 - c) Development of anti-fraud, anti-corruption and anti-bribery measures and investigation of any suspicions of inappropriate behaviour.
 - d) Information, advice, advocacy, and training in respect of best practice in achieving a high level of internal control, including Financial and Contract Procedure Rules.
 - e) Contributing to corporate/high impact projects, particularly those involving partnership and procurement.

Internal Audit coverage will apply to all the Council's direct operations, all wholly owned or controlled organisations or subsidiaries, including limited companies, and other partnership bodies (where the Council so determines).
3. Internal Audit work will address all the business controls of the organisation, prioritised based on risk. This involves a full coverage of all aspects of the Council's operation, including financial systems, processes and activities, all other business processes, risk management, governance arrangements, information management and appropriate use of technology-
4. Internal Audit activity will be planned, carried out and reported within a general philosophy of providing evidence-based analysis and helpful advice to all levels of management and achieving positive consequential progress.
5. Except where otherwise agreed, written reports will provide summary information, | detail on any findings of note, conclusions and recommendations to advise and inform managers at all levels.
6. Establishing effective systems of operation and implementation of audit recommendations is the responsibility of management. It is not the role of Internal Audit to act as a proxy for appropriate performance management of, or by, senior management.
7. Internal Audit will follow up the implementation of accepted recommendations in all cases where there were concerns about a system, process, or activity, or where recommendations result from an investigation. Other agreed recommendations may be followed up on a sample basis.
8. Internal Audit will co-ordinate the overall corporate assessment of business controls and risk management. It will help develop and monitor the Risk Management Statement.
9. Internal Audit will operate in accordance with the (mandatory) Public Sector Internal Audit Standards (PSIAS) and the supplementary CIPFA guidance.
10. Internal Audit officers will act ethically to achieve high professional standards: independence, objectivity and integrity and respect the confidentiality of organisational information.

CONTENTS

1. Mission
2. Introduction
3. Objectives of Internal Audit
4. Independence, Responsibilities and Authority
5. Performance Management and Quality Control
6. Reporting
7. Internal Audit Delivery
8. Partnership; Obtaining & Providing Assurance to Others

Appendix 1 Control Environment (definition)

Appendix 2 Financial Procedure Rules (extract)

Appendix 3 Role of the Audit Committee

Appendix 4 Audit Planning, Resourcing & Reporting (detail)

Appendix 5 Public Sector Internal Audit Standards

Appendix 6 Statement of the Responsibilities of Management

Background and Context

1. Local Authorities are required under the Local Government Acts and the Accounts and Audit Regulations 2015 to have a continuous internal audit of their financial and other business controls. It will be delivered in compliance with the Public Sector Internal Audit Standards (PSIAS). This is mandatory guidance which states the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance. These standards in Local Authorities are supplemented by additional guidance from CIPFA that has regulatory authority for local government in the UK.
2. The PSIAS require that there is a formal Internal Audit Charter defining the purpose, authority and responsibilities of Internal Audit, which must be consistent with the PSIAS definition of internal audit, code of ethics and professional standards. For the purposes of comparability, the following terms apply.

PSIAS Term	Kirklees Arrangement
The Board	Corporate Governance & Audit Committee
Senior Management	Chief Executive & or Executive Team
Chief Audit Executive	Head of Internal Audit

3. The main purpose of Internal Audit is to support the organisation in achieving its objectives, and particularly to play a key role in the Council's Corporate Governance arrangements in ensuring Members and Corporate Managers have adequate assurance that they are meeting their responsibilities.
4. The role of Internal Audit is also to support the Council's statutory officers (Head of Paid Service, Chief Finance Officer and Monitoring Officer) in carrying out their roles, and equally needs their support in fulfilling its role.
5. This Charter and Strategy will be regularly presented to senior management and reviewed regularly by the Corporate Governance & Audit Committee. Its purpose is to set out the purpose, nature, objectives, outcomes and responsibilities of the internal audit service.
6. International internal audit standards are drawn up by the Institute of Internal Auditors, and there is a UK (government) statement of applicability to the public sector, with CIPFA having a particular role in standards as applicable to local authorities.
7. The Institute of Internal Auditors have drawn up revised standards that are likely to be applicable from 2024, which are in draft form substantially more prescriptive and onerous than those currently applicable.

1. <u>MISSION OF INTERNAL AUDIT</u>
The mission of Internal Audit is to provide an independent, objective assurance and advice and insight designed to add value and improve the organization's operations. Internal Audit aims to help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

2. THE INTERNAL AUDIT CHARTER

2.1 Objectives of internal Audit

2.1.1 Internal Audit's objectives can be defined as:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. (PSIAS)

This definition goes beyond basic compliance by evaluating and improving the effectiveness of the entire risk, control and governance arrangements (including financial and non-financial control systems). As an independent appraisal function Internal Audit can offer assurance on the effectiveness of internal control arrangements, contributing to the efficient use of resources and generally helping management to monitor performance, improve operational efficiency and target objectives. These actions will add value by supporting the organisation in achievement of the Council's objectives.

2.1.2 Specifically the role is to provide:

- *Assurance, principally by a review of the control environment* - The 'control environment' comprises the business systems which are operated to implement the Council's statutory obligations and its policies and objectives. This includes systems and processes, governance and decision making, and risk identification and management. It involves the review of all the major financial and accounting systems and practices, and controls of other kinds (such as purchasing and human resources). For financial controls it involves a more detailed review of information, records, assets and other resources to identify appropriate financial stewardship. (See Appendix 1). It also includes matters relating to organisational ethics, use of technology and matters such as management of data and information.
- *Consultancy* - Undertake, when commissioned, other reviews and projects which use investigative, analytical and consultancy skills. This work can be specific or involve on-going advice and may include value for money related activity. Where this advice is provided it is given notwithstanding the responsibility to provide assurance as above. Any work performed will be accepted only within the competencies of staffing.
- *Assurance and Investigation into suspected Fraud, Corruption and Bribery* - Internal Audit oversees the Corporate Anti-Fraud, Anti-Corruption and Anti-Bribery policies and undertake investigations into suspected irregularity, fraud, or corruption, provides guidance for managers and Members and helps to promote good corporate governance and the highest ethical standards. It also coordinates the Council's approach to the mandatory national fraud initiative. (NFI). The Head of Audit is also required to be notified of all cases of suspected or detected fraud, corruption or impropriety.

- *Advice* - Provide operational advice on the development of processes and systems and on the interpretation of the Council's rules (principally Financial Procedure Rules and Contract Procedure Rules).
- 2.1.2 Audit advice and recommendations are given in all cases without prejudice to the right of Internal Audit to review the relevant policies, procedures and operations at a later date.
- 2.1.3 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit advises the Council on whether effective and efficient arrangements exist, cumulating in the annual opinion of the Head of Internal Audit, which informs the Annual Governance Statement. Optimum benefit to the Council should arise when Internal Audit work in partnership with management to
- improve the control environment.
 - achieve organisational objectives.

2.2. Independence, Responsibility and Authority

2.2.1 An effective internal audit function must be independent, objective and unbiased, operating in an ethical way.

2.2.2 Governance

It is the responsibility of the Council and its senior management, and in particular the statutory officers (Head of Paid Service, Chief Finance Officer and Monitoring Officer) to ensure that the organisation has all appropriate operational and business control arrangements.

Internal Audit is a part of the Directorate of Legal, Governance, Commissioning and Risk, within the Corporate Resources and Public Health Strategic Directorate and reports both to the senior management and to the Corporate Governance & Audit Committee.

Details about internal audit, its authority and the role of the Head of Internal Audit are in the sections below.

2.2.3 Authority

Internal Audit has authority to:

- Enter at all times any Council premises, land or location from which Council services are provided (including those of partners and contractors).
- Have access to all property, records, documents, correspondence, data (in all forms) relating to all activities of the Council.
- Require and receive explanations in respect of any matter; and
- Require any employee of the Council, without prior notice, to produce cash, stores or any other property for which they are responsible.

- Require the assistance of any employee, such as by the attendance at meetings (of any form), submission of information in any required media, or any other reasonable action to enable Internal Audit to fulfil its role and objectives.

The rights and responsibilities of Internal Audit are set out in Financial Procedure Rules (an extract is included at Appendix 2)

2.2.4 The Head of Internal Audit

- Reports functionally to the Corporate Governance & Audit Committee which operates as the Audit Committee of the Council, and issues reports under his own name.
- Reports managerially to the Chief Executive, Service Director for Finance and Service Director, Legal, Governance & Commissioning (Monitoring Officer) and for supervisory purposes to the Service Director, Legal, Governance & Commissioning
- Has the right to communicate directly with any Strategic or Service Director, or any other Council officer. The Head of Internal Audit may also communicate with any Cabinet Member or Councillor, or other person.
- Has the right to communicate confidentially with the Chair of the Corporate Governance & Audit Committee on any matters.
- Must advise the Corporate Governance & Audit Committee on any matter where any significant risk or threat to the organisation, identified through audit assurance work, has not been adequately addressed by management.
- Is responsible for the delivery of the Internal Audit function and achievement of the standards described within this document.

The Head of Internal Audit will ensure that audit work is shared with Strategic Directors, Service Directors and other senior managers and their appointees, and commissioning officers for investigations and reviews. Additionally, summaries will be provided to the Corporate Governance & Audit Committee, individual Members or others (e.g., whistle-blowers) who refer matters to Internal Audit, the external auditor and to other authorities and agencies to facilitate joint and partnership working as appropriate. Audit work will (except when otherwise agreed) be treated as confidential, but in certain circumstances may be wholly or partially subject to disclosure under the Freedom of Information.

2.2.5 Responsibilities of Internal Audit

The responsibilities and objectives of Internal Audit are as follows:

- To provide soundly based assurances to management on the adequacy and effectiveness of their internal control, risk and governance arrangements, including ethics, information management and technology.

- To review, appraise and report on the extent to which the assets and interests of the Authority are accounted for and safeguarded from loss.
- To review, appraise and report on the suitability and reliability of financial and other management data and information.
- To assess the adequacy and effectiveness of the Authority's procurement, contract and partnership arrangements.
- To support schools in achieving high standards of control and governance.
- To assess the corporate risk management processes.
- To evaluate the risk of fraud and how it is managed and controlled. To provide corporate fraud and irregularity prevention, detection and investigation services in accordance with the Counter Fraud, Corruption and Bribery Strategy.
- To reach conclusions about the effectiveness of the Council's control environment, and to recommend improvements to management.
- To contribute to assurances in relation to the robustness and reliability of internal controls and governance to support the Annual Governance Statement (AGS).
- To support the achievement of efficiency, value for money and effective change management.
- To provide advisory and consultancy services intended to add value and improve value for money, governance, risk management and control processes.
- To provide advice in respect of the development of new or significant changes to existing programmes and processes including the design of appropriate controls. This is usually through membership of groups, boards or working parties as well as direct contact with officers within Services.
- To support effective procurement.
- To support activities of the Corporate Governance & Audit Committee to discharge its responsibilities.
- To support the Service Director of Finance as the Council's Chief Financial (s151) Officer and all senior management in meeting their corporate responsibilities.
- To monitor the implementation of agreed recommendations.
- To plan, manage and operate the internal audit function in an efficient and effective manner.

2.2.6 **Responsibilities and expectations of Internal Auditors**

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined, working with honesty, diligence and responsibility. They must always observe the law and respect and contribute to the legitimate and ethical objectives of the Council.

Objectivity:

Internal Auditors must make a balanced assessment of all the relevant circumstances and not be, or appear to be, unduly influenced.

This means.

- Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment.
- Declaring any real or perceived interests on an annual basis, or at any time that they recognise any impairment to the objectivity.
- Not accepting anything that may impair or be presumed to impair their professional judgement such as gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties.
- Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
- Not using information obtained during duties for personal gain and.
- Complying with the Bribery Act 2010.

Confidentiality:

Internal Auditors must.

- Act prudently when using information acquired in the course of their duties and protecting that information, and
- Not use information (derived or obtained through their official role) for any personal gain.

All records, documentation and information accessed while undertaking internal audit activities are to be used solely for the conduct of these activities. The Head of Internal Audit and all Internal Audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during their work.

Integrity:

In the conduct of audit work, Internal Audit staff will:

- Comply with relevant professional standards of conduct and perform their work with honesty, diligence and responsibility.

Competency:

Internal Auditors are expected to be competent in their role by:

- Possessing the knowledge, skills and technical proficiency relevant to the performance of their duties.
- Being skilled in dealing with people and communicating audit, risk management and related issues effectively.
- Maintaining their technical competence through a programme of continuous professional development.
- Exercising due professional care in performing their duties; and
- Complying with all requirements of the PSIAS.

Awareness:

- Being alert to the issue of fraud and corruption.

Internal Audit staff must declare any conflict of interest, or potential conflicts of interest, actual or perceived, to their manager.

2.2.7 Independence & Objectivity

Internal Audit has no operational or non-audit functions to perform and is therefore independent of all Council operational activities that it audits. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair an internal auditor's judgement. This allows Internal Audit to make independent, impartial and effective professional judgements and recommendations on the area under review. The internal audit activity will remain free from undue interference from any part of the Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited and will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all of the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

Audit responsibilities are periodically rotated to avoid over-familiarity and complacency and to provide for service continuity and resilience. Internal Auditors are not involved in undertaking non audit activities and an Auditor will not be involved in the audit of any system or process for which they had previous operational responsibility.

2.2.8 Statement of pre-existing areas of conflict in current audit activity

The Head of Internal Audit – as “Head of Risk” has direct operational responsibility for the Insurance, Risk Management and Corporate Customer Standards (complaints) functions and provides input into certain procurement functions and corporate projects. When audits are required of these areas, the Audit Manager reports direct to the Service Director Legal, Governance & Commissioning. This arrangement helps maintain independence and avoid any conflicts of interest.

On an advisory basis, but as a matter of routine, Internal Audit staff provide advice about the methods of financial evaluation of contracts and contractors and carry out on a task specific basis financial evaluation of prospective suppliers to the Council.

2.3. Performance Management & Quality Control

2.3.1 Performance Management

The Corporate Governance & Audit Committee will establish performance measures for the Council, in respect of the control environment, and for the

Internal Audit function, and consider performance against those measures in reviewing the activity of Internal Audit.

2.3.2 **Quality Control**

The PSIAS requires the operation of quality assessment and review mechanisms, which must be assessed internally at least annually, and by an external assessor at least every 5 years.

The Head of Internal Audit is responsible for advising the Committee on the appropriateness of measures and targets, and on collecting this information.

The Head of Internal Audit will establish internal quality control and review practices consistent with the requirements of the PSIAS, and report on the outcome of this review work to the Corporate Governance & Audit Committee as a part of the Annual Report.

Quality control will include direction and supervision of work performed, the retention of appropriate, reliable and relevant evidence to justify findings and conclusions and recommendations, and the internal review and assessment of work, including its preparation in accordance with detailed standards, and compliance with the requirements of PSIAS and CIPFA.

The Head of Internal Audit is responsible for arranging for the external assessment, providing the necessary information, and acting on any outcomes from the assessment. This will be done under the oversight of the Chair of the Corporate Governance & Audit Committee.

The external auditor and other external review agencies may evaluate the work of Internal Audit as part of their assessment of Council activity.

2.4. **Reporting**

The Head of Audit and Risk will report to the Corporate Governance & Audit Committee.

- Quarterly on each piece of work completed in the period, the opinion arising from that work and performance of internal audit (achievement of the annual audit plan (as revised when required), client satisfaction and quality assessment).
- Annually on the overall achievement and assessment of the Council's internal audit work programme, including an opinion on the control system, risk management and governance arrangements, and performance information, such as issuing reports on time, completing work within time allocated.
- Annually on the overall risk environment and the overall planned work on assurance in the forthcoming year, plus any investigative and consultancy tasks. This will include an assessment on the availability of

resources, and any impact this may have on the ability to assess the control environment.

- As necessary on any matter impacting on the overall integrity of the Council's control environment, typically indicated by a "no assurance" audit opinion, or on any operational matter that seriously impacts on the delivery of the audit plan or resourcing of the internal audit function.

Internal Audit reports to all levels of management, with reporting of detailed operational work usually being to Service-Directors. The Chief Executive and Strategic Directors receive the full Council wide summary of activity.

2.5 Partnerships, and Obtaining & Providing Assurance to Others

In respect of operations through partnership and semi-independent organisations:

- (i) Usually, the Council will require its internal auditors to have access to property, records, documents and correspondence in respect of any activity operated or controlled by the organisation working for the Council, and for its auditors to be provided with explanations by officers of the organisation. Contracts and agreement documents will set out these rights where it is appropriate.
- (ii) The Council (through agreement by the Head of Internal Audit) may agree that alternative review arrangements operated by or on behalf of the organisation, or independently, will provide sufficient evidence to enable the Council to secure assurance conclusions about the aspects of the effectiveness of the Council's control environment to which the partnership relates, although the Council will retain an ultimate right to review any activity dependent on the Council's funding. In this context the Head of Internal Audit will seek to develop relationships, formalised where practical, with other internal auditors and other review agencies to facilitate this. This may include obtaining all or some elements of assurance from the internal auditors employed by the organisation, and/or participating with other internal auditors (e.g., employed by local authorities in the sub region) to evaluate the procedures operated by shared partners (such as a regional wide public body) and using such assurance instead of obtaining direct assurance.
- (iii) The Council will, when requested and appropriate, provide assurance (based on work performed) to other partner organisations.

2.6 The external auditor of the Council

The Council's external auditor has full and free access to any records and work performed by Internal Audit. Action will be taken to coordinate work to avoid any duplication, and to ensure effective mutual working.

Appendices set out the following.

Appendix 1 Control Environment (definition)

Appendix 2 Financial Procedure Rules (extract)

Appendix 3 Role of the Audit Committee

Appendix 5 Public Sector Internal Audit Standards

3. INTERNAL AUDIT STRATEGY

This strategy statement must be read alongside the Annual Strategy

3.1 Internal Audit Delivery

- 3.1.1 The Head of Internal Audit is responsible for the effective use of resources to deliver the Audit Plan.
- 3.1.2 Delivery is by direct employees of the Council, including trainees and secondees and, where necessary, temporary and casual employees. The use of specialist consultancy and contractors will be considered, if necessary, to deliver specific elements of the workload.
- 3.1.3 At least annually, the Head of Internal Audit will submit to the Corporate Governance and Audit Committee a risk based Internal Audit Plan for review and approval. The plan will consist of a schedule of planned assurance and consultancy work (including some contingency) which will establish resource requirements for the next financial year. This will be balanced between resource requirement and capacity. The standard requires the Head of Internal Audit to advise the Corporate Governance & Audit Committee if the number of resources available compromises the ability to offer appropriate levels of assurance.
- 3.1.4 The internal audit plan is based on a risk-based assessment. The current standard is to potentially cover all areas of activity from the most significant to the most minor, although prioritisation is to ensuring that assurance coverage concentrates on those areas of highest risk in terms of potential exposure or likelihood of failure, covering both financial and other business controls (where assurance work utilise the responsibilities and processes for control effected by other teams such as Health & Safety).
- 3.1.5 Necessary material variations from the approved Internal Audit Plan are reported to and approved by the Corporate Governance & Audit Committee.
- 3.1.6 The Council provides Internal Audit services to:
 - Kirklees Active Leisure, which is a charitable trust under a service level agreement. Although the Council is the main partner of KAL, audit accountability and reporting are to Kirklees Active Leisure only.
 - The West Yorkshire Fire & Rescue Authority, which is a separate public body. This organisation makes significant use of the Council's financial systems. Audit accountability and reporting is to West Yorkshire Fire & Rescue Service only.

Appendices set out the following.

- Appendix 4 Audit Planning, Resourcing & Reporting (detail)
- Appendix 5 Public Sector Internal Audit Standards
- Appendix 6 Statement of the Responsibilities of Management

CONTROL ENVIRONMENT

The Control Environment comprises the Council's policies, procedures and operations in place to:

- a) Establish and monitor the achievement of the organisation's objectives.
- b) Identify, assess and manage the risks to achieving organisational objectives.
- c) Facilitate policy and decision making.
- d) Ensure the economical, effective and efficient use of resources
- e) Ensure compliance with established policies (including behavioural and ethical expectation), procedures, laws and regulations.
- f) Safeguard assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
- g) Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes. This encompasses elements of corporate governance and risk management.

Control Environment audit work utilises a risk based, systematic approach for all control environment work to:

- i) Identify and record the objectives, controls and risks of the system or process.
- ii) Establish the congruence of operational objectives with higher-level corporate objectives.
- iii) Evaluate and review the application of risk management processes and documentation.
- iv) Evaluate the controls in principle to decide whether, or not, they are appropriate and can be reasonably relied upon to achieve their purpose.
- v) Identify any instances of over-control.
- vi) Determine and undertake appropriate tests of the effectiveness of controls, i.e., through compliance or substantive testing.
- vii) Arrive at conclusions and recommendations; and
- viii) Provide a written opinion on the effectiveness of the control environment.

EXTRACT OF FINANCIAL PROCEDURE RULES

(If approved the amended FPRs for 2023 will be incorporated here)

5. INTERNAL AUDIT**Responsibility & Authority**

- 5.1 *The Chief Executive (in consultation with the Chief Finance Officer and Monitoring Officer) must arrange and direct a continuous internal audit, which is an independent review of the accounting, financial and other operations of the Council.*
- 5.2 *The Head of Risk will report directly to the Chief Executive, the Chair of the Corporate Governance & Audit Committee or the External Auditor in any circumstance where the functions and responsibilities of the chief finance officer are being reviewed. (Other than routine reporting of work carried out)*
- 5.3 *The Head of Risk has authority to: -*
- (a) *Enter at all times any Council premises or land or location from which Council services are provided.*
 - (b) *have access to all property, records, documents and correspondence relating to all activities of the Council.*
 - (c) *require and receive explanations concerning any matter; and*
 - (d) *Require any employee of the Council, without prior notice, to produce cash, stores or any other property for which they are responsible.*

The chief finance officer has the same authority for any accounting or associated purpose.

Planning & Reporting

5.4 *The Head of Risk must plan and report (in accordance with the approved Audit Strategy and Charter, Public Sector Internal Audit Standards and any instructions from the Councils Corporate Governance & Audit Committee) upon: -*

- a) *The risks inherent in and associated with each system.*
- b) *The soundness, adequacy and application of the financial and other management controls and systems within each Service.*
- c) *The extent of compliance with, and the financial effects of, established policies, plans and procedures.*
- d) *The extent to which the organisation's Assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud, other offences, waste, extravagance and inefficient administration, poor value for money and other cause.*
- e) *The suitability, accuracy and reliability of financial and other*

management data within the organisation; and

f) Value for money aspects of service provision.

5.5 In respect of any audit report or communication issued, the Director must reply within 4 weeks indicating the action proposed or taken, by whom and including target dates. Where a draft report is issued for initial comments, a reply must be made within 2 weeks of issue.

5.6 The Head of Risk will provide a written summary of the activities of the Internal Audit function to the Cabinet and Corporate Governance & Audit Committee at least four times per year and an Annual Report produced for consideration by Management Board, Cabinet and Corporate Governance & Audit Committee, including an audit opinion on the adequacy and effectiveness of the Council's risk management systems and internal control environment.

The Head of Risk will review the system of internal audit on an annual basis and report the outcome to the Corporate Governance & Audit Committee.

Investigations and Suspected Fraud, Corruption or Bribery.

5.7 The Chief Executive and Directors must ensure that all Members and employees are: -

- a) Aware of the Council's Anti-Fraud, Anti-Corruption and Anti Bribery Strategy.*
- b) Aware of the Whistleblowing Strategy; and*
- c) Operating in a way that maximises internal check against inappropriate behaviour.*

The Head of Risk is responsible for the development and maintenance of the Anti-Fraud, Anti-Corruption and Anti Bribery Strategy and Whistleblowing Strategy and for directing the Council's efforts in fraud investigation.

5.8 It is the duty of any officer who suspects or becomes aware of any matter which may involve loss or irregularity concerning cash, stores or other property of the Council or any suspected irregularity in the operations or exercise of the functions of the Council to immediately advise the Director. The Director concerned must immediately notify the Head of Risk who may take action by way of investigation and report.

5.9 Where, following investigation, the Head of Risk considers that there are reasonable grounds for suspecting that a loss has occurred as a result of misappropriation, irregular expenditure or fraud, consultations will be held with the Director on the relevant courses of action, including the possibility of police involvement and the invoking of any internal disciplinary procedure in accordance with the relevant conditions of service. (Claimant fraud in respect of Housing Benefit and Council Tax Reduction and Discounts (where the claimant is not an employee or Member of the Council) is investigated by the Revenue & Benefits Service).

ROLE OF THE AUDIT COMMITTEE

<p>Extract from Terms of Reference of Corporate Governance & Audit Committee from the Council Constitution.</p>
<p>6. To consider the Council's arrangements relating to Internal Audit requirements including:</p> <ul style="list-style-type: none"> (a) considering the Annual Internal Audit report, reviewing and making recommendations on issues contained therein. (b) monitoring the performance of internal audit (c) agreeing and reviewing the nature and scope of the Annual Audit Plan <p>7. To review the adequacy of the Council's Corporate Governance arrangements. This will include (but not be limited to) the following:</p> <ul style="list-style-type: none"> 7.1 Internal control and risk management. 7.2 Oversight of whistleblowing and the Council's whistleblowing policy. 7.3 Oversight of the complaints process and the role of the Local Government Ombudsman. 7.4 Oversight of Information Governance and the role of the ICO. 7.5 To review and approve the annual statement of Corporate Governance. <p>8. To agree and regularly update the Council's Code of Corporate Governance, monitoring its operation and compliance with it, and using it as a benchmark against performance for the annual Statement of Corporate Governance.</p>

Monitoring the performance of Internal Audit might include: -

- i) Reviewing the scope, effectiveness and resourcing of the Internal Audit function;(including ensuring its budget is sufficient to achieve the work programme that the Committee considers to be necessary)
- ii) Assessing the balance between routine/unplanned/investigative work and systems /process/probity/unit/investigations/vfm studies/best value review/other work.
- iii) Appraising the accuracy and coverage of the work carried out.
- iv) Reviewing issues arising out of Internal Audit work.
- v) Reviewing management commitment to implementing audit recommendations.
- vi) Performance Management of Internal Audit work.

The Corporate Governance & Audit Committee can in support of its role:

- i) Call for Internal Audit reports to be submitted to it for consideration.
- ii) Commission specific pieces of Internal Audit work; and
- iii) Summon officers, Members or other persons to explain their actions, or inactions, in relation to Internal Audit work.

AUDIT PLANNING, RESOURCING AND REPORTING (Detail)

1 Corporate Audit Planning

- 1.1 The Head of Internal Audit is responsible for appropriate planning and deployment of Internal Audit resources by production of:
 - A Strategic Statement of Areas of Auditable Activities and risk.
 - A detailed Annual Audit Plan setting out the specific assignments planned for the year, reflecting risk and priorities and matched to the available resources.
- 1.2 The Annual Audit Plan will identify the work which is necessary to fulfil the following obligations: Assurance on effectiveness of internal controls to deliver efficient operations, safeguard the Council's assets and ensure compliance with relevant legislation, regulations, policies and procedures. including:
 - (i) Assurance on key internal controls
 - (ii) Assurance on financial processes and systems.
 - (iii) General assurance on other business systems and processes.
 - (iv) Opinion on Risk Management
 - (v) Opinion on Governance Arrangements
- 1.3 The level of resources allocated, and work planned need to be balanced, to provide the levels of assurance, and other activities, which are expected as outcomes.

2 Risk Assessment

- 2.1 Both of the Strategic and Annual Plans are prepared based on an assessment of risk. Although this can be made ostensibly scientific, at its heart is professional judgement about the: -
 - i) Importance of a risk area.
 - ii) Existing level of internal control and risk management.
 - iii) Materiality.
 - iv) Significance in terms of organisational impact, sensitivity and accountability.
 - v) Previous coverage and experience and knowledge gained by Internal Audit; and
 - vi) Coverage by other review agencies.
- 2.2 The key financial systems will usually be subject to triennial review. The frequency of review of other business, governance and major and medium risk financial systems and processes will typically be between 3 and 5 years.-Some operational units and minor financial and business processes will be subject to audit work less frequently than every 5 years.
- 2.3 Any consultancy work will be separate from the control environment work and be based against specific objectives agreed with the Director responsible before the work commences.

3 Other Audit Work

- 3.1 The Counter Fraud, Corruption & Bribery Strategy and the Financial Procedure Rules set down a procedure for investigation, reporting and decision making. Internal Audit will have the opportunity to determine if they wish to investigate any suspected irregularity or inappropriate behaviour by officers of the Council, its partners, suppliers or Service Users which involves the potential misuse or loss of the Council's resources, including cash, stores, or other amounts, and to investigate customer claims for Council Tax Reduction, Housing Benefit, Blue Badges, Right to Buy and other means tested care, or otherwise mandated payments, grants or loans. Investigations into the misuse of Council paid time (e.g. inappropriate absence from work) which, along with non- resource based disciplinary matters, are the responsibility of Service management.
- 3.2 In order to test compliance by management in implementing agreed recommendations, Internal Audit will follow up all cases where planned audit work identified that a system or process was considered to offer only limited assurance, or no assurance and in a sample of other cases. In the case of investigations, or consultancy, any outcome which results in agreed recommendations for improvements to process will also be subject to further review.

4 Audit Resources

- 4.1 The Strategic Audit Plan includes a schedule of risk areas with an assessment of their nature and potential severity in terms of probability and impact.
- 4.2 At the start of each year, an Annual Plan will be prepared that looks at the degree of risk, based on the extent of assessed severity, and the date and findings of the previous work.
- 4.3 The Annual Plan needs to be interactively monitored against emerging risks, with the Plan being amended to reflect need, to ensure that resources are deployed on a priority basis.
- 4.4 The Head of Internal Audit will have the authority to change the plan to achieve this objective, and report back as a part of quarterly reporting of any significant changes made.
- 4.5 The Head of Internal Audit must monitor to ensure that there is sufficient resource to enable adequate coverage, and report at least annually on this.
- 4.6 The Annual Plan (IA control version) will include an allocation of days for each assignment (based on an expectation of an adequate arrangement)
- 4.7 In addition to the programmed audit work there needs to be time allowed:
- i) As a contingency for dealing with unexpected issues/delays in planned work.
 - ii) To allow for un-programmed work and investigations.

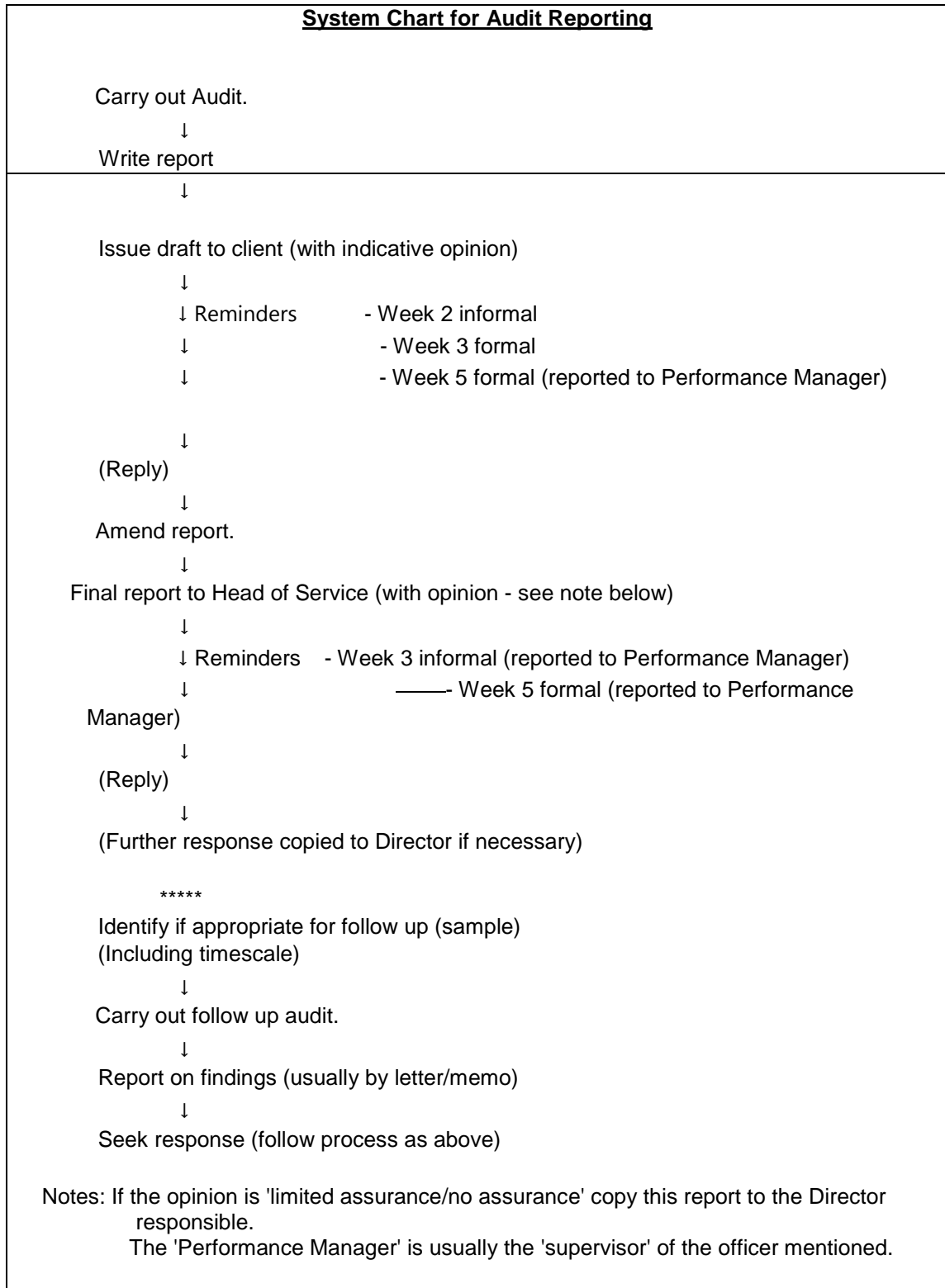
5 Audit Assignments

- 5.1 Each specific Internal Audit assignment will identify its objectives and a time allocation and be either:

- (i) Subject to a routine audit programme developed in relation to the activity; or
 - (ii) Subject to a specific audit brief developed for the specific task and agreed with the client. (This can be either an infrequent piece of assurance work, or a unique piece of consultancy).
- 5.2 Prior to the commencement of routine audits, Internal Audit will usually inform the manager responsible for the Service area under review about the purpose, scope and expected timing of the work. However, for some types of audits, such as special investigations, advance warning of the audit visit may not be appropriate, and this is at the discretion of the Head of Internal Audit.
- 5.3 Internal audit work will look to assess and provide information on the:
- i) Soundness, adequacy and application of the financial and other management controls and systems within each Service.
 - ii) Extent of compliance with, and the financial effects of, established policies, plans and procedures.
 - iii) Extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud, other offences, waste, extravagance and inefficient administration, poor value for money and other cause.
 - iv) Suitability, accuracy and reliability of financial and other management data within the organisation; and (where applicable)
 - v) Value for money aspects of service provision
- 5.4 During the conduct of reviews, Internal Audit staff will consult, orally and/or in writing, with relevant officers to:
- i) Ensure information gathered is accurate and properly interpreted.
 - ii) Allow management to put their case to ensure that a balanced assessment is made.
 - iii) Keep management informed on the progress of the audit.
 - iv) Ensure recommendations are cost effective and practicable; and
 - v) Ensure that all recommendations agreed are followed up and that action has been taken leading to implementation.
- 5.5 Whatever the source of the evidence, Internal Audit must be satisfied as to its nature, reliability, completeness and relevance before drawing conclusions.
- 5.6 Internal Audit working papers (paper and electronic) will contain the principal evidence to support reports and they also provide the basis for review of work by documenting: -
- i) Planning.
 - ii) Examination and evaluation of the adequacy and effectiveness of internal controls.
 - iii) The audit procedures employed, the information obtained, and the conclusions reached.
 - iv) The management reviews.
 - v) The report; and (as applicable, if any)
 - vi) Follow up.
- 5.7. The Auditor and Audit Manager will use their best endeavours to deliver the completed assignment within the time allocated and the timescale determined. This may not be possible due to inability to access key staff,

other programming difficulties, the state of the records and information presented.

6 Audit Reporting



6.1 Internal Audit Reports

In respect of each assignment Internal Audit will produce a written report. This will usually set out summary information about the objectives and the work performed, providing detail of any adverse findings on an "exception only basis" setting out the extent to which operations fail to conform to the established standard and other important matters identified, stating the conclusions reached and recommendations, with an Action Plan to address these recommendations.

Where a report is issued, generally this will initially be in the form of a draft report, issued to the auditee and line manager, for comment on factual accuracy and the potential practicality of draft recommendations. Services can indicate at this stage if they agree with the recommendations and how they intend to action them. This will be usually issued by email.

In respect of investigative work, the draft report (when produced) will be discussed with the responsible Director (or nominee). For consultancy work, the draft will be discussed with the commissioning manager.

On occasions where there are no adverse findings or recommendations, a report may progress to final stage without a draft being necessary.

The final Internal Audit report will be issued to the Service Director (or where agreed, the Strategic Director). An accompanying letter or email will indicate the Internal Audit opinion on the state of the system / process at the time the audit was undertaken, (and if the report is to feature in detail in subsequent reporting, a summary text).

6.2 Management Response

A formal written reply is required. This should indicate specifically:

- i) That the recommendations are accepted, and actions are to be taken, including timescale and the names of individual officers who are specifically responsible for their implementation.
- ii) That specific recommendations are not accepted. The reason should be provided, and any alternative actions should be listed.

A reply is not required where there are no recommendations, or when a detailed response was made at draft stage.

At this stage the matter will be considered to be finalised, except where the actions / inactions proposed under (ii) appear unjustified or unclear whereupon if the Head of Internal Audit believes the rejection or alternatives are unreasonable, further discussions will take place and, if necessary, the matter will be reported to the relevant Strategic Director, or through the Internal Audit reporting process to the Corporate Governance & Audit Committee.

Management should respond to Internal Audit reports as quickly as possible, and within the following maximum timescales established in FPRs.

Draft Reports: Within 2 weeks of issue

Final Reports: Within 4 weeks of issue

Failure to adhere to the above timescales will be reported to Corporate Governance & Audit Committee on a quarterly basis.

6.3 Audit Opinion

The report will express an opinion on the level of assurance that is offered by the system/process at the time the audit work was undertaken.

In respect of any audit work where the specific objective is to assess value for money, the opinion will reflect the assurance of the extent that current arrangements do, or are likely to, deliver value for money. Where value for money is one of several objectives, a separate opinion will be stated (on the grounds that a system may be highly effective in respect of the controls that it provides but does not do so in a way that is efficient).

Assurance level	Control Adequacy	Control Application
Substantial Assurance	A robust framework of all key controls exists that is likely to ensure that objective will be achieved	Controls are applied continuously or with only minor lapses
Adequate Assurance	A sufficient framework of all key controls exists that is likely to result in objectives being achieved, but the overall control framework could be stronger	Controls are applied but with some lapses
Limited Assurance	Risk exists of objectives not being achieved due to the absence of several key controls in the system	Significant breakdown in the application of several key and/or other controls
No Assurance	Significant risk exists of objectives not being achieved due to the absence of key controls in the system	Serious breakdown in the application of key controls

6.4 The assurance is judgement based, around the following criteria.

Assurance Level	Fundamental	Significant	Merits Attention
Substantial Assurance	There are no fundamental recommendations	There is no more than one significant recommendation	There are no more than five merits attention recommendations
Adequate Assurance	There are no fundamental recommendations	There are 2 to 4 significant. recommendations	There are 6 to 10 merits attention recommendations
Limited Assurance	There are one or more. fundamental recommendations	There are more. than four significant recommendations	There are more. than ten merits attention recommendations
No Assurance	The number of fundamental recommendations made reflects an unacceptable control environment	Not applicable	Not applicable

Although the above is a general assessment model, there will be an element of discretion, as a single fundamental failing can, in certain circumstances, mean that an entire operation offers no assurance.

6.5 Prioritisation of Recommendations

Audit recommendations are allocated a priority rating to signify the risk, or level of internal control weakness, associated with the issue identified. The ratings used are: -

Priority Rating	Guidance
Fundamental	A recommendation, often requiring immediate action, which is key to maintaining an appropriate control environment and thereby avoiding exposure to a significant risk to the achievement of the objectives of the system, process or location under review.
Significant	A recommendation requiring action that is necessary to improve the control environment and thereby avoid exposure to a risk to the achievement of the objectives of the system, process or location under review.
Merits Attention	A recommendation where action is advised to enhance control or improve operational efficiency.

6.6 Acting on Audit Reports

It is the responsibility of senior management to consider audit reports and implementation of audit recommendations. The Service Director has the right to accept or reject internal audit advice.

6.7 Consolidating Information to form Overall Opinions and Advice

In respect of key financial systems, the overall opinion on the system will often be informed by several discrete pieces of work.

In addition, Internal Audit will also analyse various discrete audit assignments to ascertain if information or advice of benefit to a wider audience of managers can be obtained and distributed.

6.8 Corporate Management Reporting

Internal Audit will produce:

- i) A Quarterly Report on Internal Audit activity
- ii) An Annual Report on Internal Audit activity expressing an opinion on the integrity and appropriateness of all significant financial systems and business control systems.
The Quarterly Report will contain details of work which has been finalised and agreed in the period, including:
 - i) Specific details of all investigations, special studies and reviews and non-standard work.
 - ii) Summary information on systems and processes reviewed, and key reasons or findings when the system is providing only 'limited assurance' or 'no assurance'.
 - iii) Information about all follow up work; and
 - iv) Information about any senior managers who have failed to comply with their obligations.The report will indicate if:
 - i) At the time of the audit, the system or process reviewed provided

- “substantial”, “adequate”, “limited” or “no” assurance.
- ii) Management have not agreed the recommendations; and
- iii) In the case of follow up work, if agreed recommendations have not been implemented.

The report will be presented to the Chief Executive and Strategic Directors and formally to the Corporate Governance & Audit Committee.

The Annual Report will use information from the Quarterly Reports and analyse this against systems and across Service areas to provide an opinion in respect of those systems and arrangements that have been subject to review during the year of:

- i) All major financial and business systems.
- ii) Other business control systems.
- iii) The overall quality of the operation of control systems in individual Service areas; and
- iv) An overall assessment of risk, and governance.

The report will be presented to the Chief Executive and Strategic Directors and formally to the Corporate Governance & Audit Committee.

7. Management responsibilities

- 7.1 It is the responsibility of operational managers, Heads of Service, Service Directors, Strategic Directors and Cabinet Members to implement and operate control systems which accord with statute, Council policy and organisational rules (e.g., Financial Procedure Rules).
- 7.2 They must ensure that appropriate records are kept and maintained as necessary to comply and demonstrate compliance with their requirements and ensure that staff employed are suitably skilled and trained.
- 7.3 Managers must ensure that appropriate access is granted for Internal Audit - to employees, premises, and records.
- 7.2 Accountability for the responses to the advice and recommendations of Internal Audit lies with management, who must either accept and implement the advice, offer an alternative action that addresses the deficiency identified (which is acceptable to Internal Audit), or formally reject it.
- 7.5 It is the responsibility of managers to establish systems and procedures to deter, prevent and detect fraud, corruption and bribery and suspected fraud, corruption and bribery.

The Public Sector Internal Audit Standards (PSIAS)

The Public Sector Internal Audit Standards took effect from 1 April 2013 and apply to almost all public organisations in the UK. They are based on a development of international standards for internal auditing, largely developed by the Institute of Internal Auditors.

The document produced is mandatory guidance which states the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

These standards in local authorities are supplemented by additional guidance from CIPFA that has regulatory authority for local government in the UK. This includes substantial checklists of process and procedure.

The Public Sector Internal Audit Standards use several specific terms. These include terms which in the Council are as shown below in preparing this charter.

Term in the Public Sector Internal Audit Standards	Interpretation in this Charter Document
Chief Audit Executive	Head of Audit & Risk
Board	Corporate Governance & Audit Committee
Senior Management	Chief Executive and Strategic Directors

The Public Sector Internal Audit Standards document makes several statements as regards employment arrangements of the Chief Audit Executive. Whilst the UK standard and CIPFA identifies that some of the stated practices are not relevant to local government, these rules do look to transfer some employment related matters away from purely the executive arm of the organisation, by involving requirement of the Board.

Statement of the Responsibilities of Management

1. It is the responsibility of management to establish sound and adequate operational systems and processes designed to achieve the organisation's objectives efficiently and effectively. It is their responsibility to organise operations efficiently in a way that achieves required outcomes, statutory compliance and adequate levels of internal control including, as appropriate, matters such as the correct management of information. Senior managers must ensure that operational managers understand their role, operate systems as designed and intended, train staff appropriately in the required systems and procedures, and keep and retain adequate records. It is the responsibility of managers to establish systems and procedures to deter, prevent and detect fraud, corruption and bribery.
2. In dealing with Internal Audit managers should.
 - Arrange appointments for planned audit work promptly.
 - Respond diligently and promptly to any unplanned visit or request for information.
 - Have appropriate records and accesses available as necessary to assist the audit work.
 - Have the appropriate staff available to describe any system or arrangement, and answer questions or resolve queries as the audit work progresses.
 - Be available to discuss the conclusions of audit work and any recommendations.
 - Reply promptly to any draft audit report.
 - Reply promptly to any final audit report.
 - Complete any necessary action plan indicating agreement or otherwise.
 - Implement agreed actions.
3. In respect of assurance, consulting or other activity (such as investigations) it is the role of Internal Audit to assess and report independently on systems and process and the efficiency and effectiveness of an activity. Whilst management will be consulted, and their comments considered, and can seek to offer advice and opinion, the auditor is responsible for production of the report based on the evidence that they have available. Managers are not required to agree with the conclusions reached.
4. Managers are not required to implement audit recommendations. Where they believe that a recommendation is inappropriate, they should say why. Where they would prefer an alternative action, they should propose this.
5. Although internal auditors will always attempt to be helpful, their role is to provide assurance and specific consulting, and it is not their prime role to offer advisory services, although they can often be a useful final arbiter if there is a lack of clarity about appropriateness of a procedure, or interpretation of a rule or requirement.
6. The Chief Executive, Chief Financial Officer (s 151 officer) and Monitoring Officer are ultimately responsible for the implementation of matters as required by their statutory responsibilities.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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