

Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE
Date: 15th NOVEMBER 2019
Title of report: QUARTERLY REPORT OF INTERNAL AUDIT Q2 2019/20 & ANNUAL GOVERNANCE STATEMENT Q2 2019/20 JULY 2019- SEPTEMBER 2019

Purpose of report;
To provide information about internal audit work in quarter 2 of 2019/20

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 second quarter of 2019/20. This report contains information about 14 formal opinion based pieces of work, 3 investigations and various other projects or tasks. Work associated with Kirklees Neighbourhood Housing is now reported along with all other work.

- 1.2 The investigations related to missing cash at an educational centre- where the very poor state of records means that it is impossible to ascertain if the loss really occurred. Risks associated with the security of cash and stock were identified. An action plan to improve record keeping and increase the use of electronic payments has been agreed. An investigation into pupil information provided by a pre-school identified that pupil on roll information was overstated. Other concerns were also identified. Arrangements were made to recover the overpayments, but the nursery was closed very soon afterwards. An investigation into concerns about Public Rights of Way did not identify any areas of concerns but the conflict between strict adherence to legislation and pragmatism to find solutions is an area of awareness by managers of the activity.
- 1.3 Of the 14 reports that include assurance levels, there was adequate or substantial offered from all financial and business systems reviewed; these included Town Hall income, parking enforcement, sale of land and property. 4 schools offered positive assurance. The fifth – a follow up- had made substantial progress in many areas, but there was insufficient progress in reconciling Money Manager (accounting records) and completing the returns to the local authority. Other follow ups related to Performance Management- the long timescales in delivering the new corporate framework and arrangements and the gap this represents in the overall governance arrangements at this point in time means that this remains inadequate. .
- 1.4 Overall, 100% of new work in the period attracted a positive outcome. However 2 of 3 follow ups remain inadequate, giving an overall in period assurance rate of 86%, and the cumulative year to date is 78%. The target is 80% positive assurance; last year was 78%.
- 1.5 Time was also spent on support regarding information governance, the monthly pay project, SAP controls (more specifically the audit logging processes in SAP), and in financial assessment and risk control in relation to suppliers. There is a long going investigation at KNH.
- 1.6 Progress in relation to the Annual Governance Statement (AGS) Action Plan is monitored by Internal Audit. This is reported quarterly, starting at quarter 2, and is thus appended to this report. This shows that some progress is being made in a number of areas, although only a small number of items are completed. This is attached as an appendix to this report.
- 1.7 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 **Other (eg 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 are involved in and respond to on 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.

6.2 Members are also asked to note that there has been no Regulation of Investigatory Powers Act activity during the period quarter 1 2019/20.

7. Cabinet portfolio holder's recommendations

Not applicable

8. Contact officer

Martin Dearnley, Head of Risk & Internal Audit (01484 221133 x73672)

9. Background Papers and History of Decisions

Previous Quarterly reports, Audit Plan and confidential appendix.
Annual Governance statement

10. Service Director responsible

Not applicable