

Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE
Date: 22nd APRIL 2021
Title of report: QUARTERLY REPORT OF INTERNAL AUDIT Q4 2020/21
 JANUARY 2021 to MARCH 2021

Purpose of report.

To provide information about internal audit work in quarter 4 of 2020/21

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 2020/21.
- 1.2 This includes work in both Kirklees Council and its controlled subsidiary Kirklees Neighbourhood Housing Ltd.

- 1.3 As reported previously, Internal Audit staff have continued to work throughout the pandemic, but much of the work undertaken has been unplanned (e.g., supporting the business grants schemes,) rather than routine, planned work. An initial somewhat reduced and later significantly reduced plan has been brought before this Committee.
- 1.4 To assist with the requirement for the Head of Internal Audit to produce an annual opinion on the robustness of the council's arrangements and systems to achieve internal control, governance and risk management, for consideration by this committee, the reduced prioritised plan has been substantially completed.
- 1.5 The year-end outcome is that from the reduced list of reviews 71% have a positive assurance opinion. This figure, which is lower than the long-term average, or target, is boosted somewhat by a set of all positive school outcomes, and the arrangements for core controls, subject to some caveats, remain reasonable strong.
- 1.6 The work in the period found sound arrangements for the core payroll system (including KNH), and accounts receivable, but there were continuing concerns about some aspects of account payable arrangements, and parts of reconciliation processes. There were concerns also about aspects of the controls relating to markets income, plant and equipment hire (KNH) and the voice network contract. Nine schools were reviewed, 8 of which achieved substantial assurance, and one adequate.
- 1.7 A review of procurement category management found that there were concerns about a lack of management information, impacting on the ability to enforce routine procurement compliance. At a more strategic level there are concerns about single source/not directly competitive procurement. There are equal strategic concerns about the use of grants, on a single basis, where procurement would be a more appropriate route. Routine work into grants found a lack of evidence collection.
- 1.8 Internal Audit also continued with its activity to support information governance, the stronger families and monthly pay projects, and in the preparation of information for the national fraud initiative.
- 1.9 Monitoring of the implementation of matters addressed in the Annual Governance Statement (for 2019/20) will take place and be reported to a future meeting.
- 1.10 In quarter 4 a large amount of time continued to be spent in supporting the implementation of the most recent statutory and local discretionary business grant schemes- which now include an obligation to carry out additional checking prior to payment. The investigation of suspected fraud in respect of the original scheme continues.
- 1.11 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 **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 are involved 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.

6.2 Members are asked to consider what additional areas of assurance they may wish beyond those shown in the detailed report.

6.3 Members are also asked to note that there has been no Regulation of Investigatory Powers Act activity during the period quarter 4 2020/21.

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.

10. **Service Director responsible**

Not applicable

