

**Name of meeting:** CORPORATE GOVERNANCE & AUDIT COMMITTEE

**Date:** 29<sup>th</sup> SEPTEMBER 2023

**Title of report:** UPDATE REPORT OF INTERNAL AUDIT 2023/24

**Purpose of report.**

To recommend to the Committee, as Audit Committee, a second quarter audit plan, to propose a new format quarterly report, and other changes to the approach re internal audit

Key Decision - Is it likely to result in spending or saving £500k 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?	Yes 19/09/23
Cabinet member portfolio	not applicable

**Electoral wards affected:** All

**Ward councillors consulted:** None

**Public or private:** Public with a private appendix

The appendix Ca 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 a proposed audit plan for the second half of 2023/24. It also proposes a new format for the quarterly reporting, on which the Committee is invited to make comments, and notes some other issues.
2. **Information required to take a decision.**
- 2.1 **Proposed Audit Plan for October 2023 to March 2024**
  - 2.1.1 Traditionally Kirklees internal Audit (and most other internal audit teams within other organisations) have established an annual audit plan at the beginning of each year, based on a long-term risk assessment. This approach is now seen to provide insufficient flexibility for an internal audit team to flexibly respond to the needs of the organisation. Accordingly last April Corporate Governance & Audit Committee approved a half year plan, and a provisional plan for the second half of the year.
  - 2.1.2 Reasonable progress has been made on the first half plan, which included 48 audits (Appendix A) although there have been minor variations, and a slightly revised second half plan is attached at Appendix B for approval. This reflects an ability to deliver based on minor changes to staff capability and also should enable slightly stronger assurance opinion on operating financial systems. The proposed variation to the plan is shown in Appendix Ba. The revised plan would provide for the delivery of 56 audits, providing 100 audits in total by the end of the year. What can actually be delivered depends on staffing availability, progress on work -e.g., not encountering significant problems or delays- and other priority issues that might arise.
- 2.2 **Proposed new format for the Quarterly Report of Internal Audit**
  - 2.2.1 At the last meeting Internal Audit presented a quarter 1 2023/24 report in the traditional format. The Committee was advised that it was proposed to recommend amendments to the format to modernise it somewhat, slightly increasing the amount of information that was in the public domain.
  - 2.2.2 The revised draft format is included as Appendix C. The proposed main features are a dashboard style set of charts about progress with the audit plan and findings assessments in the period and cumulatively for the year, and a schedule of activity during the period, with the rating outcomes applicable to each planned or substitute audit. Some details- for example- about areas of concerns, will appear in a much shorter private appendix (appendix Ca to this report).
- 2.3 **Proposed minor change to the rating methodology for internal audits of individual schools.**
  - 2.3.1 Community schools are responsible for their own finances and governance, and these still feature as an important part of the councils audit plan. Historically, the assessment of a school was based on compliance with good practice over a number of areas of governance and financial process. This could mean that school could be rated highly, even if it has a significant or recurrent deficit position but was preparing appropriate reports to inform the governing body about this.
  - 2.3.2 There are concerns (as expressed by Learning Service and Finance) that increasing financial costs and pressures on school could have a wider impact on the council, and that schools that do not have adequate arrangement to address a deficit are at risk.
  - 2.3.3 Accordingly it is proposed to adjust the control assessment arrangements such that notwithstanding how good its other arrangements are, a school that has a current deficit -even if it has a plan to address that deficit- cannot be reported as anything higher than having *adequate assurance*, and a school that has a significant or

persistent deficit, or no plan to address a one off small deficit will be rated as having arrangements that provide only *limited assurance*. A school with no viable plan to address a significant deficit is likely to attract a *no assurance* rating.

- 2.3.4 It is also proposed that the programming of school audit visits will recognise the budget position, albeit all schools will remain subject a review on a 3–5-year basis.
- 2.3.5 The Committee is also asked to note that the annual report relating to RIPA (Regulation of Investigatory Powers Act 2000) was considered by Cabinet on 26<sup>th</sup> September 2023.

### **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 (but see 2.3)
- 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.

### **4. Consultees and their opinions**

There was consultation with Learning and Finance colleagues in relation to rating of school audits.

### **5. Next steps and timelines**

- 5.1 To execute the new audit plan and prepare the further 3 quarterly reports consistently with the new format.

### **6. Officer recommendations and reasons**

- 6.1 Members are asked to approve the Audit Plan for the second half of the year.
- 6.2 Members are asked to authorise the Head of Internal Audit to make such additions to the plan as are considered necessary in line with ensuring Internal Audit is able to effectively provide corporate assurance and to meet the needs of the organisation.
- 6.3 Members are asked to note the new Internal Audit Quarterly Report format and determine if they would like the format amended or adjusted.
- 6.4 Members are asked to note the adjustment to assessment of individual school audits.

### **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**

Annual Report of Internal Audit 2022/23 and plans for 2023/24

### **10. Service Director responsible**

Not applicable

Appendix A	Approved Audit Plan April 2023 to September 2023
Appendix B	Proposed Audit Plan October 2023 to March 2024
Appendix Ba	Adjustments to the previous draft plan for October 2023 to March 2024
Appendix C	Revised Format Quarterly Report Q1 2023/24 restated
Appendix Ca	A private appendix containing some additional appendix C information.

## **Appendix A    Approved Audit Plan October 2023 to March 2024**

### **Audits 2023/24 April to September**

#### **Children**

2 x High Schools  
10 x Primary Schools  
\*Residential Care Homes  
\*Fostering Allowance  
SEND IF follow-up  
Troubled Families Claims  
## Capital Grant  
## RAA Value for Money

#### **Corporate**

\* Cybersecurity  
Third Sector Support  
SAP Category Management  
NHS Toolkit  
\*Legal Disbursements  
Income Management  
NDR Billing  
Revenue Write- Offs  
Blue Badge Assessment  
\*CT & NDR Data Validation Follow-Up  
\*\* Health and Safety  
Healthy Child Follow-Up

#### **All**

Service Complaints

#### **Environment**

Taxi Licensing Follow-Up  
School Transport Follow-Up  
Memorial Safety  
Cliffe House  
School Catering Procurement Follow-up  
Meadow Green Catering Income Foll/Up  
WYCA Grants

#### **Growth & Regen**

Energy Supply Contracts  
Rent Setting  
HRA Responsive Repairs  
HRA Mould/Damp  
HRA write-offs

#### **Adults**

\*EDS Follow-Up  
\*Care Phones  
Domiciliary Care Payments  
DOLs  
Registration Service  
Modern Slavery Follow-Up  
\*\*Domestic Abuse Part 2  
#Shared Lives  
#KICES

## Unplanned Audits

# Audits b/f from October to March plan

\* Moved to October - March plan

\*\* Proposed to be removed from Annual Audit Plan

## Appendix B Proposed Audit Plan October 2023 to March 2024

<b>INTERNAL AUDIT PLAN 2023/24</b>		<b>October 2023 to March 2024</b>	
<b>Children</b>	<b>23</b>	<b>Environment</b>	<b>3</b>
16 x Primary Schools		Bereavement Income	
Regional Adoption Agency Follow up.		Parks	
Leaving Care		Highways Materials	
School Exclusion Follow up.			
School Admissions		<b>Growth &amp; Regeneration</b>	<b>10</b>
Troubled Families Claims		Temporary Accom 2nd Follow up.	
Fostering Placements		Asbestos Management	
In-House Residential Accommodation		HRA Regulatory Compliance	
		BS Plant & Equipment Follow up.	
		BS Van Stock Follow up.	
<b>Corporate</b>	<b>14</b>	HRA Rent Income	
Network Access		HRA Current Arrears	
Performance Management		Domestic Disabled Adaptations	
Data Security & Sharing		District Heating	
Accounts Receivable Recovery		Local Land Charges	
CT Refunds			
Bank Reconciliation		<b>Adults</b>	<b>5</b>
VAT		Client Finances Follow up.	
NDR Reliefs & Exemptions Follow up.		Gateway to Care	
Payroll		Community Languages Follow up.	
Direct Debit Expenditure		Prevent	
Revenues Collection & Reconciliation		Personalised Care	
CT Valuation			
Legal Disbursements			
Cybersecurity			
<b>All</b>	<b>1</b>		
Project Management			

**Appendix Ba Adjustments to the previous draft plan for April 2023 to September 2023, and October 2023 to March 2024**

**Audits Proposed for Omission from the Approved Plan April 2023- September 2023**

Health & Safety  
Domestic Abuse Pt2

**Audits Proposed for Omission from the from Draft Plan October 2023-March 2024**

Members' Code  
Attendance Management Follow up  
Mandatory Staff Training Follow up  
Lone Working Follow up  
Highways Plant & Machinery Procurement  
Live Well Kirklees  
CQC assurance space (providing a critical friend perspective about the plans)

**Additional Planned audits included in the Plan April 2023-September 2024**

Childrens- Capital Grants

**Audits Proposed for Inclusion additional to those included in the Draft Plan October 2023-March 2024**

Direct Debit Expenditure  
Domestic Disabled Adaptations  
District Heating  
Local Land Charges  
Revenues Collection & Reconciliation  
CT Valuation