

**REPORT TITLE: INTERNAL AUDIT PLAN FOR 2024/25 AND ASSOCIATED MATTERS**

<b>Meeting:</b>	<b>Corporate Governance &amp; Audit Committee</b>
<b>Date:</b>	<b>19 April 2024</b>
<b>Cabinet Member</b> (if applicable)	
<b>Key Decision Eligible for Call In</b>	<b>No No – Information report</b>
<b>Purpose of Report</b> To request approval for the Internal Audit Plan for the first half of 2024/25, for the Internal Audit Charter and Mandate, and to consider a number of associated matters	
<b>Recommendations</b> <ul style="list-style-type: none"> <li>• That the proposed audit plan for 2024/25 (April to September 2024/ draft October 2024 to March 2025) be approved.</li> <li>• The Committee notes the resourcing position and determines any further information that they require and actions that they may wish to take.</li> <li>• The Head of Risk &amp; Internal Audit be delegated authority to make changes to the Audit Plan as he considers reasonable, reflecting the needs of the organisation, subject to this being reported back to this Committee.</li> <li>• The Internal Audit Mandate, Charter &amp; Strategy be approved</li> <li>• The Committee note the other matters raised in the report and determine if any further actions are required in relation to these.</li> </ul>	
<b>Reasons for Recommendations</b> <ul style="list-style-type: none"> <li>• A risk-based audit plan is necessary to achieve maximum assurance from a limited level of resource.</li> <li>• The Internal Audit Mandate, Charter and Strategy document is in fulfilment of the requirements of the Institute of Internal Auditors Global Internal Audit Standards and Public Sector Internal Audit Standards.</li> </ul>	
<b>Resource Implications:</b> <ul style="list-style-type: none"> <li>• It is anticipated that the proposed internal audit plan can be delivered within the envisaged resource availability.</li> </ul>	
<b>Date signed off by <u>Strategic Director</u> &amp; name.</b>  <b>Is it also signed off by the Service Director for Finance?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	Not applicable

**Electoral wards affected: all**

**Ward councillors consulted:** none

**Public or private:** public

**Has GDPR been considered?** yes

**1. Executive Summary**

The Council has an internal audit function lead by the Head of Risk and Internal Audit, who reports for governance purposes to the Corporate Governance & Audit Committee. Each year it is necessary to identify how internal audit resources will be deployed. It is now considered good practice to determine an audit plan for half a year, based on a risk assessment. The regulator regime for internal audit, requires the approval of an Internal Audit Mandate, Charter and Strategy which are included in this report. The report sets out resource availability and how this may impact on the level of assurance that can be provided.

**2. Information required to take a decision**

- 2.1 Internal Audit is a statutory obligation for local authorities and exists to provide independent assurance about the business processes of the Council.
- 2.2 Internal Audit work is designed to provide assurance through following a programme of work designed to give coverage across the organisations areas of risk.

Audit Planning & Resourcing 2024/25

- 2.3 This report sets out in appendix 1 the key areas of operational activity where default or difficulty causes risk that are considered to be in scope for assurance activity. In addition, the organisations corporate risk matrices should identify areas of potential concern, which should be subject to review. Although the councils risk management processes are much improved, they cannot alone provide areas for internal audit review, as core systems require assessment of reliability in a way which may not be obvious from a strategic corporate risk assessment.
- 2.4 Internal Audit have identified areas of risk with an assessment between high, medium and low risks, that have not been reviewed for some time, from the schedule of risk areas shown in appendix 1 and these have been included alongside a selection of areas of activity that management have indicated they consider would help meet the needs of the organisation. The combination of these items should produce a balanced programme that meets the needs for assurance, and also as a potential aid to management and decisions to be taken.
- 2.5 Traditionally audit plans were prepared annually. The changing needs of the organisation, and risk assessment, together with limited resources, mean that it is now considered more appropriate to plan over a shorter horizon.
- 2.6 Appendix 2 contains a proposed Audit Plan for the first half of 2024/25; and Appendix 2A contains an indicative Plan for the second half of 2024/25. Appendix 3 contains a list of potential audit areas based on a risk assessment
- 2.7 However, to retain some flexibility, there needs to be scope to move audit projects around, both to reflect urgent needs of the organisation and staffing and skill levels. Accordingly, some flexibility for the Head of Risk & Internal Audit to make changes to the plan need to be available.
- 2.8 In addition, the risk-based assurance work needs to be supplemented by time to review and authorise grant claims on behalf of government departments, West Yorkshire Mayoral Combined Authority (WYMCA) and other organisations, Time is also retained as a contingency for unexpected urgent work. There is also some time used for dealing with general advice (of an audit and assurance nature), other tasks such as contractor

evaluation and contract advice and assistance. Whilst these do not fall within the definition of consultancy work, or other work, this does help the organisation to achieve a higher level of broad internal control and assurance.

- 2.9 The resources available to internal audit have been reduced in line with current budget pressures. The council is also committed to providing audit work for West Yorkshire Fire & Rescue Authority and Kirklees Active Leisure. These clients pay for the work they receive and so it is important that resources are available for this requirement.
- 2.10 Current staffing means that availability of staff to carry out audit tasks for the council for the half a year is as shown below:  
5.0 posts, less time for other clients, a contingency for unplanned and investigation work (15%), and additional time required to complete some planned audits where issues are identified (10%), contracts and grants (c 7.5%) means that likely availability of time for planned assurance based audit work (excluding grants) is 540 days per annum of which school capacity/capability is 120, leaving 220 days in the half year (440 days per annum). There will be some additional capacity to provide follow up audits under a new model where an initial triage will determine if progress has been made and determine if a full follow up audit is required.
- 2.11 Internal Audit has funds under the current approved budget for one additional mid-level post which has not currently been progressed for recruitment. Additionally, Internal Audit resource has been supplemented in recent years by trainee accountants working for internal audit, although due to recruitment issues this resource is effectively now zero. If both these rolls were filled full time this would increase capacity per half year by c 150 days (which would be more than 50% additional capacity).
- 2.12 Appendix 3 is a more detailed audit plan. The plans are based on an expectation that work takes an allocated time, with the contingency available to carry out unanticipated prolongation of audit work-which may be due to adverse findings, poor record keeping, delays in provisions of information requested, or responses from clients, or other inefficiencies. It includes - shaded grey- the pieces of work that are being forgone as result of the reduced staffing availability.
- 2.13 The proposed audit plan includes a combination of assurance based around core financial systems, other important financial systems, other business control systems, and other operational arrangements, including what is quite a large share of time spent on schools review. Schools are semi-autonomous units whose operations could present various risk to the council, and the work is carried out essentially separately from other review work.
- 2.14 There is also time for investigations of irregularity (related to finance, governance, fraud or similar). At the present time, it is sometimes the case that services are left to initially assess these concerns and asked to report back with findings. There are clearly some risks with this approach, which does not fully align with a culture of openness, and independent review.
- 2.15 It is important that every aspect of the councils operations remain in view of internal audit (otherwise this is suggesting that some areas are specifically “outside” of the view of internal audit, with governance consequence).
- 2.16 The proposals are “balanced”. There would be options to put greater emphasis on some areas, at the expense of others. This might for example put emphasis on core financial systems, or to look at areas that are identified as high risk in corporate risk assessments, or to look principally at non-financial areas where there are concerns about assurance arrangements. An approach might also be to emphasise investigations into irregularity, although the danger from such an approach is the equivalent of firefighting rather than fire prevention. It is for this Committee to ask for information about options for a different direction if they wish to, or to ask about overall resourcing.
- 2.17 The report notes that there are challenges to the amount of resourcing available. The Chief Executive has acknowledged that if the Head of Risk and the Corporate

Governance & Audit Committee both feel that the internal audit function needs additional resources, this will need to be considered.

#### Internal Audit Mandate, Strategy & Charter and the Global Internal Audit Standards

- 2.18 The Institute of Internal Auditors (IIA), an international- USA based organisation- has published standards for internal audit for some years. These standards were then adopted into United Kingdom Public Sector Internal Audit Standards (PSIAS), and further interpreted by CIPFA for use by local authorities. The current international standard is quite short, though the interpretations are substantially more complex. Early in 2024 the IIA published new Global Internal Audit Standards (GIAS), which are substantially more specific and complex (over one hundred pages of text), though there is little change in the actual objectives or intentions, but some more obligations or expectations about reporting and involvement are codified in more detail.
- 2.19 The UK government is still determining if any additional guidance or interpretation is required, as some areas, as relates to matters like recruitment, pay and discipline of the Head of internal Audit do not fit with the typical arrangements in a UK public body (recognised as an issue by the GIAS). It is thought extremely unlikely that the government will look to derogate from any of the GIAS standards.
- 2.20 The standards do not apply until 2025, and a further report will be brought when it is clearer what additional obligations arise. It will be noted that at a time of limited resource already, additional process will potentially further reduce the amount of work that can be achieved (albeit the contra should be that the work is produced to a clearer and purer standard).
- 2.21 For this year, it is proposed make a few modifications to the existing Charter and Strategy, to reflect that it should now also include a Mandate -a statement of rights and responsibilities. Further amendments are likely to be necessary next year to reflect further GIAS obligations and their UK public sector interpretation. The draft suggested Mandate, Strategy & Charter is included at Appendix 5.

#### Performance Standards

- 2.22 The new GIAS continues to expect that internal audit has established targets for and monitoring of its performance. Some suggested monitoring targets are set out in Appendix 4.

#### Fraud Work

- 2.23 There is an expectation under the PSIAS and GIAS that internal auditors have an awareness of fraud risk, and test as a part of routine audit assurance work that fraud risk is identified, understood and addressed, with recommendations made as appropriate. Linked to this is a practice that suspected internal fraud, or that by contractors, is addressed through internal audit work. External fraud risk (from clients and customers) is executed through the councils dedicated fraud team. In the past this has been distinct and separate, and largely remains so, but the common management does now enable additional assurance-based learning about fraud risk and potential system changes. Depending on skill and capacity it may also be potentially possible to use some fraud specialist skills on internal or contractor fraud investigations.

### **3. Implications for the Council**

Having an effective internal audit function, as a part of a strong assurance and governance framework is important for the Council. As resources are limited it is important that the deployment or resources is effective.

#### **3.1 Working with People**

No directly applicable.

- 3.2 **Working with Partners**  
No directly applicable.
- 3.3 **Place Based Working**  
No directly applicable.
- 3.4 **Climate Change and Air Quality**  
No directly applicable.
- 3.5 **Improving outcomes for children**  
No directly applicable.
- 3.6 **Financial Implications**  
Refers in part to improving strategic and operational financial controls. The current cost of internal audit services to the council is approximately £400,000 (including overheads). Any request for additional Internal Audit resourcing would come at a cost
- 3.7 **Legal Implications**  
No directly applicable.
- 3.8 **Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**  
Implementation of recommendations should improve overall control arrangements and promote good governance. An absence of adequate resources for internal audit impacts on the degree of assurance that internal audit can provide.
4. **Consultation**  
There have been discussions with Executive Leadership Team (ELT) and Service directors in preparing the proposed audit plan.
5. **Engagement**  
ELT have seen and are aware of the content of this report
6. **Options**  
An Audit Plan is required; There are multiple options for the contents of the Plan. Some potential alternatives are described in the text to the report.
7. **Next steps and timelines**  
Delivery of the Audit Plan
8. **Contact officer**  
Martin Dearnley Head of Audit & Risk.
9. **Background Papers and History of Decisions**  
None.
10. **Appendices**  
Appendix 1 Areas of risk that are considered to be in scope for assurance activity.  
Appendix 2 The proposed Audit Plan April 2024 to September 2024  
Appendix 2A The draft Audit Plan for October 2024 to March 2025  
Appendix 3 All prioritised audit areas for 2024/25 based on risk assessments  
Appendix 4 Performance standards  
Appendix 5 Internal Audit Mandate, Strategy & Charter

**11. Service Director responsible**

The Head of Risk & Internal Audit holds responsibility for the planning, operation and reporting by Internal Audit.

The statutory officers with a responsibility for overseeing the internal audit function are  
Julie Muscroft Director of Legal Governances & Commissioning  
Isabel Britain Director of Finance

**Areas of risk that are considered to be in scope for internal audit assurance activity.**

Listed below are areas of risk that are considered to be in scope for internal audit activity  
These set out the principal areas of risk.

In addition, any location or operation centre should be considered in scope for an occasional visit or review.

**KEY CORPORATE SYSTEMS 2023/24**

**Financial Systems & Controls**

Payroll (SAP) Debtors (SAP) Procurement / Creditors (SAP) Council Tax Business Rates Housing Rents
Part or whole of this activity should be subject to internal audit review each year

Council Tax Reduction Scheme (residual Benefits) Treasury Management Payments for Social Care School Payments Internal Recharging (such as for building maintenance)
This activity should be subject to internal audit review every 2 years

**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
These areas would typically be subject to review every 2 or 3 years

**Schools**

Applies to all community schools.
These areas would typically be subject to review every 3 years. Those with a deficit budget or other governance issues will be given priority

Appendix 2 **The Proposed Audit Plan April 2024 to September 2024**

<b>DRAFT PLAN 2024/25</b>	<b>April to September 2024</b>
<p><b><u>Children</u></b>            1x High Schools            10 x Primary Schools            School Exclusions (Follow-Up)            SENDACT (Follow-Up)            Foster Care (Internal and IFA)            In House Residential Accommodation            Regional Adoption Agency (Follow-Up)            Direct Payments</p> <p><b><u>Corporate</u></b>            Bank reconciliation            Treasury management            SAP Creditors Key Controls            Information Governance (toolkit)            IG - data sharing / security            e-tendering            Members' Allowances &amp; Expenses/ Code of Conduct</p>	<p><b><u>Environment &amp; Growth &amp; Regeneration</u></b>            Fire Safety- Corporate Estate            Asbestos Management - Corporate Estate            HRA Tenancy Allocation            HRA Gas Servicing            Regulator of Social Housing compliance progress (Fire Safety; Damp &amp; Mold)</p> <p><b><u>Adults</u></b>            Direct Payments            Prevent            Domestic Abuse</p> <p><b><u>All</u></b>            WYCA Grants</p>

Appendix 2A **The Draft Audit Plan for October 2024 to March 2025**

<b>PROVISIONAL DRAFT PLAN 2024/25</b>	<b>October 2024 to March 2025</b>
<p><b><u>Children</u></b>            12 x Primary Schools            SENDACT (Follow-Up)            Leaving Care (follow up)            External Residential Placements            Youth Offending Team</p> <p><b><u>Corporate</u></b>            National Fraud Initiative 24/25            Claims Processing            CT/ NDR Recovery &amp; Enforcement            SPD Matching            Government Grant income            SAP Debtors Key Controls            Agency Labour Contract            HD One BACS Bureau Accreditation            Local Code of Corporate Governance            Procurement Act 2023            Cyber Security</p>	<p><b><u>Environment, Growth &amp; Regeneration</u></b>            Capital Plan Delivery            Waste Management Contract            Fuel Procurement &amp; Control            Structures Safety            HRA Rent System Control &amp; Reconciliation            HRA Mould/ Damp</p> <p><b><u>Adults</u></b>            Personal Care            Mosaic Implementation            Safeguarding</p> <p><b><u>All</u></b>            WYCA Grants</p>



Appendix 3

**POTENTIAL AUDIT PLAN AREAS FOR 2024/25**

**THE SCHEDULE BELOW SHOWS THOSE AUDIT AREAS THAT ARE CONSIDERED TO BE OF MEDIUM RISK OR HIGHER, THAT HAVE NOT BEEN SUBJECT TO AUDIT REVIEW FOR SOME TIME (OR REQUIRE FOLLOW UP).**

**The proposed audits have an entry in the right-hand column**

**(1 means April-September 2024; 2 means October 2023 to March 2024)**

**(Those overshadowed in grey are not resourced)**

	<b>Audit</b>	<b>Risk</b>	<b>Time Allocated</b>	<b>Yearly Timing</b>
<b>CHILDREN AND FAMILIES</b>	<b>12</b>		<b>240</b>	
<b>Learning and Support</b>	Schools	6	125	Both
	School Exclusions (Follow-Up)	8	5	1
	SENDACT (Follow-Up)	12	5	Both
	Careers Partnership	6	10	
<b>Resources Improvement &amp; Partnerships</b>	Foster Care Internal vs IFA	9	15	1
	In House Residential Accommodation	9	15	1
	External Residential	9	15	2
<b>Child Protection and Family Support</b>	RAA (Follow-Up)	9	5	1
	Leaving Care (Follow-Up)	9	5	2
	Purchasing Cards	9	15	
	Direct Payments	9	15	1
	Youth Offending Teams	9	10	2
<b>ADULTS AND HEALTH</b>	<b>16</b>		<b>165</b>	
<b>Communities and Access</b>	Personal Care	9	10	2
	Prevent	9	15	1
	Domestic Abuse	9	15	1
	Digital Transformation	9	10	
	Voluntary Sector Support	8	10	
<b>Social Care and Learning Disabilities &amp; Mental Health</b>	Mosaic Post Implementation Review	9	15	2
	CFA Project	9	15	
	CQC Assurance (Quality of Care)	9	5	
	Care Phones (Follow-Up)		5	
	Gateway to Care (Follow-Up)		5	

	Third Party Domiciliary Care		10	
	Direct Payments	9	10	1
	Better Care Fund	8	10	
	Clients Benefit and Pension Fund	8	10	
	Safeguarding	8	15	2
<b>Culture and Visitor Economy</b>	School Meals Income - Follow-up	8	5	
<b>GROWTH &amp; REGENERATION</b>	<b>16</b>		<b>165</b>	
<b>Development</b>	Corporate Estate Fire Safety	9	10	1
	Capital Plan Delivery	12	15	2
	Asbestos Management - Corporate Estate	9	10	1
<b>Skills &amp; Regeneration</b>	Major Regeneration Loans	9	10	
	Hudds Blueprint	9	10	
	Dewsbury Blueprint	9	10	
	Building Control Approvals	9	10	
<b>Highways &amp; Streetscene</b>	Car Parks Income	9	5	
	Waste Management Contract	9	10	2
	Fuel Procurement & Control	9	10	2
	Hwy Accident Damage	9	5	
	Structures Safety	9	10	2
<b>Homes &amp; Neighbourhoods</b>	Tenancy Allocation	9	15	1
	Gas Servicing	9	5	1
	Rent System Control & Reconciliation	12	15	2
	Mould/ Damp	9	10	2
	Regulator of Social Housing compliance	12	10	1
<b>CORPORATE STRATEGY, COMMISSIONING &amp; PUBLIC HEALTH</b>	<b>33</b>		<b>348</b>	
<b>Finance</b>	National Fraud Initiative 24/25	12	25	2
	Claims Processing	9	10	2
	CT/ NDR Recovery & Enforcement	9	10	2
	CT Liability	9	10	
	SPD Matching	9	5	2
	Financial Management/ FPR Compliance	9	15	

	Bank Reconciliation	8	10	1
	SAP Ledger and Journals	8	8	
	Treasury Management	8	10	1
	Government Grant Income	8	10	2
	Financial Management Code Compliance	12	10	To be discussed with new CFO
<b>People Services</b>	Discrimination / Staff Inequality Risk	9	15	
	SAP Creditors Key Controls	12	10	1
	SAP Debtors Key Controls	12	10	2
	HD One Direct Debit Income	9	5	
	Equality Impact Assessments	8	10	
	Workforce Planning	8	10	
	Agency Labour Contract	9	10	2
	HD One BACS Bureau Accreditation	9	5	2
	Gifts & Hospitality - Employees	9	5	
	Employee references & qualifications	9	10	
<b>Legal and Governance</b>	Information Governance (toolkit)	12	5	1
	IG - data sharing / security	12	15	1
	Decision Making per Constitution	12	10	
	Corporate Counter Fraud & Corruption	9	5	
	CPR Compliance	9	15	
	Risk Management	12	5	
	Corporate Ethics	12	10	
	Local Code of Corporate Governance	8	10	2
	e-tendering	8	10	1
	Procurement Act 2023		5	2
	Members' Allowances & Expenses/ Code of Conduct	8	10	1
<b>Strategy &amp; Innovation</b>	Cyber Security	12	25	2

Appendix 4 **INTERNAL AUDIT PERFORMANCE TARGETS 2024/25**

<b><u>Objectives</u></b>	<b><u>Performance Measures</u></b>
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