

REPORT TITLE: INTERNAL AUDIT: CHARTER, STRATEGY & PLAN FOR 2025/26

Meeting:	Corporate Governance & Audit Committee
Date:	25 April 2025
Cabinet Member (if applicable)	
Key Decision Eligible for Call In	No No – Information report
Purpose of Report To request approval of the Internal Audit Charter and Strategy, and an Internal Audit Plan for 2025/26 (Formal for the first half year; informally for the second half), and to provide information about the Global Internal Audit Standards. (GIAS)	
Recommendations <ul style="list-style-type: none"> • The Internal Audit Charter and Audit Strategy be approved (noting the areas where the council's arrangements might be assessed as not fully compliant). • The proposed audit plan for 2025/26 (April to September 2025/ draft October 2025 to March 2026) be approved. • The Committee notes the resourcing position and determines any further information that they require and actions that they may wish to take. • The Head of Risk & 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. Reasons for Recommendations <ul style="list-style-type: none"> • The Internal Audit Charter and Strategy document is in fulfilment of the requirements of the Institute of Internal Auditors Global Internal Audit Standards and the UK Public Sector application note. • A risk-based audit plan is necessary to achieve maximum assurance from a limited level of resource. 	
Resource Implications: <ul style="list-style-type: none"> • It is anticipated that the proposed internal audit plan can be delivered within the envisaged resource availability (subject to successful recruitment). 	
Date signed off by Strategic Director & name. Is it also signed off by the Service Director for Finance? Is it also signed off by the Service Director for Legal Governance and Commissioning?	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 led by the Head of Risk and Internal Audit, who reports for governance purposes to the Corporate Governance & Audit Committee. There are new Global Internal Audit Standards with some new obligations.

This regulator regime for internal audit, requires the approval of an Internal Audit Charter and Strategy which are included in this report.

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 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.

Internal Audit Charter and Strategy and the Global Internal Audit Standards

2.3 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. 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) which took effect globally from January 2025, though there is little change in the actual objectives or intentions, but some obligations or expectations about governance, reporting and involvement are codified in more detail.

2.4 There are changes added by the UK government in some areas, by way of a UK public sector application note, but issues of quality, competence, ethics and most aspects of governance are unchanged. The date of applicability for UK public bodies is from 1 April 2025. Details of the new standards are summarised in appendix 1.

2.5 The bulk of the requirements do not change the approach in practice to work delivered, but there are some minor changes that could add small amounts of time in delivering work which at a time of limited resource already, will potentially 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).

2.6 The new standards apply to the governance of the internal audit function- to the Audit Committee specifically, and the internal audit's interrelationship with management of the organisation. The expectations about what an Audit Committee should do are set out in detail. There are new "topical requirements". Where an audit area reviews an activity covered by a "topical requirement" the starting presumption is the audit scope will address all areas identified, although it is permissible to specifically determine not to cover items identified.

2.7 The GIAS standards set out a standard to which a very large directly provided internal audit function should aspire. The standards in practice are hard for outsourced providers of IA services to achieve, and IIA are accepting that some of the control arrangements set out in the GIAS standards are not proportionate for smaller IA functions.

- 2.8 The opportunity has been taken to redraft the Charter based on a standard template (although track changes do show that this has been amended quite substantially). A newly redrafted Strategy sets out how the objectives are intended to be achieved. (appendix 2 and 3)
- 2.9 The new standards are more explicit about a desire for the Head of Internal Audit to have a pure approach, and not to have their role fettered by other responsibilities, and specifically that where the Head of Internal Audit does have other roles, the internal audit assurance function is done by others. Our approach to this in the past has been to carry out internal audit assurance assignments in the areas where the Head of Audit is “manager”, but for the audit manager to report for compliance purposes to the service director. The purest solution would be to remove other responsibilities from the Head of Internal Audit, or in the absence of this, the GIAS suggest that this auditing should be carried out by “others”, presumably by outsourcing, or maybe by another individual/set of individuals who are council employees (e.g. accountancy staff with IA experience). As the Strategy sets out the highest risk financial area- insurance funds- is already subject to external review audit by the council’s insurer. It is suggested that this is the most practical arrangement to continue, though in purity this will be non-compliant. Similarly, the typical exempted areas of control.
- 2.10 In addition the UK application note recognises that areas such as the internal audit budget, and grading, role, recruitment, performance management and dismissal of the head of audit are not usually controlled by an audit committee in the UK public sector. (p2,5,7 & 14 of the track changed version of charter document are overshadowed in yellow where this applies

Audit Planning & Resourcing 2025/26

- 2.11 The resources available to internal audit are quite limited. Whilst authorisation has been given to undertake additional recruitment (to fill vacancies since mid-2024, and the very start of 2025), so far it has not been possible to identify suitable recruits. 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.
- 2.12 Current staffing means that availability of staff to carry out audit tasks for the council for the half a year is as shown below:
There is currently the equivalent of 3 full time staff available to carry out the routine risk-based assurance work in the KMC audit plan. Depending on the recruitment it should rise to 5 (or just under, if candidates request to work other than full hours) during the first half of the year.
- 2.13 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.
- 2.14 This report sets out in appendix 4 the key areas of operational activity 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, but these alone 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.
- 2.15 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 4 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. It is important that every aspect of the council's 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 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.
- 2.17 Appendix 5 contains a proposed Audit Plan for the first half of 2025/26; and Appendix 5A contains an indicative Plan for the second half of 2025/26.
- 2.18 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.
- 2.19 The proposed audit plan- of 26 pieces in Spring /Summer 2025, and 40 pieces in Autumn/Winter 2025/26 includes a combination of assurance based around core financial systems, other important financial systems, other business control systems, and other operational arrangements,

Performance Standards & Quality Assessments

- 2.20 During 2024/25 internal audit has looked to enhance the clarity of its reporting arrangement, providing more detail. One report provided information about follow up on all audit work that should have had recommendations completed by September 2024. The planned resource includes enhancing the reporting of both the outcomes from audit work, and also follow up of implementation of recommendations from each audit (some by information provided by management, others by further IA work)
- 2.21 The new GIAS continues to expect that internal audit has established targets for and monitoring of its performance. The suggested monitoring targets are set out in Appendix 6. The standard also continues to require regular internal assessments of compliance and quality of operations (typically annually), and a 5 yearly external assessment to be carried out by a competent person. The previous KMC review was in 2022/3, so is next required in 2027/8; the new standard requires assessment of the competence and effectiveness of governance arrangement- i.e., this committee. An internal assessment is currently being carried out. This will assess the bridging position between the old and new requirements of the GIAS and will be reported as a part of the Annual Internal Audit Report for 2024/25, to the June 2025 meeting.

Fraud Work

- 2.23 There is an expectation under the PSIAS and new 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 of 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 £410,000 (including overheads).
- 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 Global Internal audit standards- changes summary

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Appendix 2 Audit Charter & Mandate (clean and track change version)

Appendix 3 Audit Strategy

Appendix 4 Risk areas in scope for audit activity

Appendix 5 Audit Plan April to Sept 2025: October 2025 to March 2026 (Provisional)

Appendix 6 Proposed audit performance standards 2025/26

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
Samantha Lawton Service Director of Legal Governances & Commissioning
Kevin Mulvaney Service Director of Finance

