

**REPORT TITLE: INTERNAL AUDIT QUARTERLY REPORT 2 2025/26
 JULY 2025 TO SEPTEMBER 2025**

Meeting:	Corporate Governance & Audit Committee
Date:	28 November 2025
Cabinet Member (if applicable)	
Key Decision Eligible for Call In	No No – Information report
Purpose of Report To provide a report of Internal Audit activity during the second quarter of 2025/26	
Recommendations <ul style="list-style-type: none"> • That the report be noted • The Committee determine if any action is required as a result of this report. Reasons for Recommendations <ul style="list-style-type: none"> • This provides information about activity of internal audit in this period, and the level assurance in the organisation. There may be issues identified which the Committee feels merits further work. 	
Resource Implications: <ul style="list-style-type: none"> • None from this report, other than the potential costs or savings from implementing recommendations 	
Date signed off by Executive Director & name.	Not applicable
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?	

Electoral wards affected: all

Ward councillors consulted: none

Public or private: public

Has GDPR been considered? yes

1. Executive Summary

The Council has to have an Internal Audit function. Each quarter Internal Audit reports on its activity. The report also provides information about the Regulation of Investigatory Powers Act. There is an additional report on progress on the implementation of recommendations.

2. Information required to take a decision

- 2.1 The information required about Internal Audit activity is included in the attached report. There is a further small amount of information contained in a private report.
- 2.2 Appendix 1 of this report provides an update on all recommendations from 2023/24 and 2024/25 that were due for implementation by 30th September 2025, but have not yet been fully carried out. In summary, of the outstanding recommendations there are two fundamental recommendations not fully implemented. Out of all major recommendations, progress has not been reported on two, while eighteen have seen partial implementation. This is an improved position from Q1, which reflects substantial progress particularly on one adult project.
- 2.3 The report also provides information about use of Regulation of Investigatory Powers Act investigations. There were none this period, although some RIPA compliance training was carried out.
- 2.4 At the meeting on 20th June 2025, the committee asked for a report about the feasibility of an internal audit of the council's involvement in Kirklees Stadium Developments Ltd. Appendix B contains some information about this.

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. Implementing audit findings should help to improve internal control, assurance and or governance.

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.

3.7 Legal Implications

No directly applicable.

3.8 Other (e.g. Risk, Integrated Impact Assessment or Human Resources)

Implementation of internal audit recommendations should improve overall control arrangements and promote good governance.

- 4. Consultation**
There have been discussions with Executive Leadership Team (ELT)
- 5. Engagement**
ELT have seen and are aware of the content of this report.
- 6. Options**
Not applicable
- 7. Next steps and timelines**
Contributes to the Annual Internal Audit report.
- 8. Contact officer**
Martin Dearnley Head of Audit & Risk.
- 9. Background Papers and History of Decisions**
None.
- 10. Appendices**
Quarter 2 report attached
Appendix A; feasibility of Audit
Appendix 1: recommendations implementation update
- 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 for Legal Governances & Commissioning
Kevin Mulvaney Service Director for Finance

APPENDIX A

Request for information about the feasibility of an audit into the councils involvement in Kirklees Stadium Developments Ltd (KSDL)

1. At its meeting on 20th June 2025 members asked for a report about the feasibility of carrying out an internal audit into KSDL. The exact nature of what work was expected was unclear, and it was not specifically stated whether the purpose was to look at the current relationship, the entire history or more recent history.
2. KSDL was formed as a regeneration project in the 1990s to create a new sports stadium for Huddersfield that would accommodate Huddersfield Town AFC (HTAFC), and Huddersfield Rugby League Club (HRLFC), both of whom occupied facilities that were poor by the expected standards of the time and forthcoming requirements. KSDL was formed with ownership by HTAFC (40%), HRLFC (20%) and Kirklees Council (40%), and the new stadium was built using a mixture of grants and loans, on land owned by the council, the intentions being that the company would achieve viability by charging rent to the users, and through ancillary activities such as catering, and by the involvement in the promotion of other events. Although the company was commercial, with each party appointing directors, all decisions had to be taken by consensus.
3. Although KSDL was viable through its early years of operation, more recently changes in the way that professional sport operates, financial difficulties, at times, by each of the occupying clubs, and increasing costs of operation, have impacted the business model, and the need for new investment, without the prospects of financial returns on the investment challenged the existing position.
4. Various options to restructure have been proposed over the last 5 years.
5. A final new ownership model was agreed, based on substantial investment by the new owner of HTAFC, and control of KSDL transferred to HTAFC as 100% owners from September 2025, though the council retains the freehold of the site.
6. Internal audits need to be focused on providing assurance about
 - (a) internal controls and business arrangements to secure the councils objectives.
 - and or
 - (b) if arrangements represent value for money.and normally provide an opportunity for recommendations to avoid any recurrence of issues identified.
7. The council has never been responsible for day-to-day operation of KSDL, although it has had some involvement in its governance. The external auditor (Grant Thornton) has made observations about the councils involvement in decision making re KSDL in their work in 2023/24.
8. As the council no longer has involvement in KSDL any review could only be a retrospective assessment of the success of its involvement in KSDL. Learning points would only be about aspects relating to circumstances where the council may or may not want to be involved in unique situations.
9. Where local authorities are involved in complex ventures such as this, the factors such as why, and how are well known, as is the concept of understanding financial commitments and risks, and the counter parties to the arrangements, and particularly the exit strategy.
10. The Committee is asked to note that the Head of Risk has had substantial involvement in the restructuring arrangements of KSDL over the past 5 years, so would be conflicted, if any work was determined that related directly to KSDL.
11. Whilst internal audit (or another party) could be asked to review the councils involvement in KSDL, its uniqueness does not create any substantial opportunities for learning. Whilst forensic analysis may determine that some choices made with the benefit of hindsight

might have been different, elements of the original set up restricted choices ongoing. - which have impacted options considered by both officers, and Members of the Cabinet.

12. If the Committee is minded to pursue the option of an internal audit, they need to be clear about the objectives, and what purpose it is intended to achieve, recognising the limited resources available.