

**REPORT TITLE: INTERNAL AUDIT: CHARTER, STRATEGY & PLAN FOR 2026/27**

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| <b>Meeting:</b>   | <b>Corporate Governance &amp; Audit Committee</b> |
| <b>Date:</b>  | <b>24 April 2026</b>                              |
| <b>Cabinet Member</b> (if applicable)   | <b>Not applicable</b>                             |
| <b>Key Decision Eligible for Call In</b>  | <b>No<br/>No – Information report</b>             |
| <b>Purpose of Report</b><br>To request approval of the Internal Audit Charter and Strategy, and an Internal Audit Plan for 2026/27 (Formal for the first half year; informally for the second half).  |   |
| <b>Recommendations</b> <ul style="list-style-type: none"> <li>• The Internal Audit Charter and Audit Strategy be approved (noting the areas where the council's arrangements might be assessed as not fully compliant).</li> <li>• The proposed audit plan for 2026/27 (April to September 2026/ draft October 2026 to March 2027) 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 Committee notes that the Head of Risk &amp; Internal Audit will 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> </ul> |   |
| <b>Reasons for Recommendations</b> <ul style="list-style-type: none"> <li>• 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.</li> <li>• A risk-based audit plan is necessary to achieve maximum assurance from a limited level of resource.</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 (subject to successful recruitment).</li> </ul>  |   |
| <b>Date signed off by Strategic Director &amp; name.</b><br><br><b>Is it also signed off by the Service Director for Finance?</b><br><br><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 led by the Head of Risk and Internal Audit, who reports for governance purposes to the Corporate Governance & Audit Committee. The regulatory regime for internal audit, (as established by the Institute of Internal Auditors Global Internal Audit Standards and UK public sector application note, fully revised in 2025) 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), publishes international standards for internal audit called the Global Internal Audit Standards (GIAS), with changes added by the UK government in some areas, by way of a UK public sector application note. There are a small number of areas covered by “topical requirements”, with a starting presumption that the audit scope will address all areas identified in a preset list, although it is permissible to specifically determine not to cover items identified. (Cyber Security, Third Party Reliance, Organisational Behaviour)

2.4 The GIAS standards set out a standard to which a very large directly provided internal audit function should aspire, although the IIA accept that some of the control arrangements set out in the GIAS standards are not proportionate for smaller IA functions.

2.5 The GIAS is 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. As the Strategy sets out the highest risk area for which the Head of Risk has responsibility- insurance funds- is already subject to external review audit by the council’s insurer. The approach to other internal audit assurance assignments where the Head of Audit is “manager”, is for the audit manager to report for compliance purposes to the service director. It is suggested that this is the most practical arrangement to continue, though in purity this will be non-compliant

2.6 The Council is required under the GIAS standards to establish an Internal Audit Charter and Internal Audit Strategy. (appendix 1 and 2). Save for minor editorial changes, there are no amendments in the proposed version this year.

### Audit Planning & Resourcing 2026/27

2.7 The resources available to internal audit are quite limited. Whilst a management vacancy was successfully filled (internally), and vacancies were advertised through 2025/26 only

one suitable candidate was been identified and appointed, and during 2026/27 one team member is likely to be absent through maternity leave. Attempts are being made to recruit both substantively and temporarily, and at Apprentice level, which will enable some degree of reallocation of duties, offering greater resources available for assurance. The Council is also committed to providing audit work for West Yorkshire Fire & Rescue Authority and Kirklees Active Leisure. They pay for the work they receive and so it is important that resources are available for this requirement.

- 2.8 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 6 audit staff (3.5 f.t.e. (full time equivalent) staff available to carry out the routine risk-based assurance work in the KMC audit plan. Depending on the recruitment it should rise to circa 5 f.t.e. during the first half of the year.
- 2.9 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.
- 2.10 This report sets out in appendix 3 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.
- 2.11 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 3 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). The areas to be audited are both "Strategic" (about financial and business controls at an entity level) and "Operational", including schools and some facilities, sub section parts of the councils overall business, especially where a feature of operation creates a higher element of risk (e.g. cash, small teams controlling high value transactions, or past incidents such a s theft)
- 2.12 Whilst audit plans were once prepared annually, the changing needs of the organisation, and risk assessment, together with limited resources, have led some organisations to have no formal plan, with all decisions on work delegated to the Head of Audit. This is not recommended. To share control, Appendix 4 contains a proposed Audit Plan for the first half of 2026/27; and Appendix 4A contains an indicative Plan for the second half of 2026/2. 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.
- 2.13 The proposed audit plan- of 57 pieces across the year (24 pieces in Spring /Summer 2026, and 33 pieces in Autumn/Winter 2026/27 ) includes a combination of assurance based around core financial systems, other important financial systems, other business control systems, and other operational arrangements, The proposed work should enable

the Head of Internal Audit to provide assurance at the year-end about the quality of the organisations systems of internal control, etc. There may be a requirement for follow up audits additionally -usually where there is limited assurance and review is needed of progress on promised actions-. There are some other tasks additional to the planned audit work. The proposed audit plan has been discussed with Executive Leadership Team, as expected by the GIAS.

#### Performance Standards & Quality Assessments

- 2.14 During 2025/26 Interna Audit has provided information about work undertaken during the year and follow up information on progress on all previous pieces of work (where recommendations were issued)(except schools- only followed up where control arrangements provide limited assurance). This arrangement will continue in 2026/27 (with the follow up reported at Q2 and Q4 only)
- 2.15 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 5. 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 2025/26, to the June 2026 meeting.

#### Fraud Work

- 2.16 There is an expectation under the 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.

### **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 £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 audit 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 can be provided.

**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 Audit Charter & Mandate

Appendix 2 Audit Strategy

Appendix 3 Risk areas in scope for audit activity

Appendix 4 Audit Plan April to Sept 2026: October 2026 to March 2027 (Provisional)

Appendix 5 Proposed audit performance standards 2026/27

**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

