

**KIRKLEES COUNCIL  
CORPORATE SERVICES:  
RISK SERVICE  
INTERNAL AUDIT**

**Annual Report of the Head of Risk and Internal Audit  
about Internal Audit  
Year ended 31<sup>st</sup> March 2026**

## 1. **Introduction**

This is the annual report of the Head of Internal Audit (KMC: Head of Risk & Internal Audit) .It provides a summary of the activities and performance of Internal Audit during the year and assesses the adequacy and effectiveness of the Council's governance, risk management and control environment arrangements during the financial year 2025/26, and recognises the requirements of the Global Internal Audit Standards (& UK public sector requirements), which applied throughout the year.

## 2. **About Internal Audit**

2.1 The scope of Internal Audit's activity is established by the 2025/26 Internal Audit Charter and Mandate, and 2025/26 Internal Audit Strategy, and operationally in the Council's Financial Procedure Rules. These rules include a right for Internal Audit to have free and unrestricted access to conduct work as is considered appropriate by the Head of Risk and Internal Audit.

2.2 Internal Audit reviews the Council's assurance framework for governance, risk management and business systems and controls. Assurance can also be obtained through the work of other parts of the council- such as Health & Safety and Customer Complaints.

Internal Audit time is spent on:

Assurance:

- (a) Assessing arrangements for financial control.
- (b) Assessing arrangements for other business and organisational controls – such as data management.

Consultancy and other activity

- (c) Resolving a range of finance, control, governance and risk related issues
  - (d) Assessing grant claims made to other agencies (principally WYCA)
  - (e) Appraisal of contractors and contributing to more complex contract strategies
  - (f) On fraud investigation, detection and prevention
- And, to a more limited extent,
- (g) Investigating allegations that the Council's business activities may not be operating in the ways intended.
  - (h) Value for money related work.

Whilst Internal Audit work can provide assurance about business processes, it does not assess the judgement of other professionals.

2.3 Quarterly Reports on the activities of Internal Audit have been provided to the Corporate Governance and Audit Committee.

These reports provide:

- (i) An opinion about the level of assurance that can be taken from each planned audit on the arrangements in operation at the time of each audit.
  - (ii) An opinion about follow-up of earlier Internal Audit work.
  - (iii) Information about investigations, and other Internal Audit activity.
- Implementation of the agreed recommendations should provide a satisfactory degree of control in all cases.

2.4 The Internal Audit Charter sets out the extent to which wider management responsibilities of the Head of Risk & Internal Audit, and consulting activities are in potential conflict with the requirements of the Global Internal Audit Standard and how these are mitigated.

### 3. Summary of Audit Work in 2025/26

3.1 The Kirklees audit plan included 58 general assurance audits. The completion rate of this planned work was 55%. The low completion was disappointing, but partly reflected work delayed by clients, or not yet fully agreed, and inability to recruit additional staff.

Area	Opinion:					
	Positive Assurance %			Negative Assurance %		
	Total	<i>Substantial</i>	<i>Adequate</i>	Total	<i>Limited</i>	<i>No</i>
<b>OVERALL</b>	82	30	52	18	18	0
Core Financial	100	25	75		0	0
Other Financial and Business	60	0	60	40	40	0
Business Controls	88	0	88	12	12	0
Excluding schools	77	5	72	23	23	0
Schools	91	82	9	9	0	0

Historically a typical year would have involved a negative assurance rate of about 20%, This has been gradually drifting upwards to around 30% but has improved at overall level to the historical position.

3.2 As reported in the quarterly reports, the 4 core financial systems reviewed all provided adequate assurance. In other areas there were concerns about Home to School transport, (follow up), and specific aspects of the Building Control and Building Cleaning service, and clients property register. In respect of business controls not having a direct financial element, areas of concern included the housing register, and data sharing arrangements.

3.3 Common themes from audit (and other work) that reflect a degree of risk to the council, include information and data management, contract management issues- which has been subject during the year to transformation work, and the need to improve cash handling (albeit this relates to a relatively small range of areas now).

3.4 Audit time has also been spent on more routine projects and activities such as:

- Support to governance and control arrangements generally.
- Preparation of the Annual Governance Statement, although with only limited monitoring
- Monitoring and updating Financial Procedure Rules (FPRs).
- Financial appraisal and scoring of applicants for contracts and other aspects of assessing or approving the Council's contractual arrangements.

- Support to the Information Governance Board, and implementation of GDPR /Data Protection Act
  - Support to corporate projects (such as waste management)
  - Sign off (by Head of Internal Audit) of grant claims made to WYCA and certain government departments or agencies
- 3.5 Understanding arrangements for risk management is an important aspect of gaining assurance. The risk management function is linked to internal audit through management. The council has continued to enhance its risk management arrangements.
- 3.6 Although the Council used a risk-based audit plan in achieving the coverage of business and activity areas on which this opinion is based, the assurance framework delivered by Internal Audit is necessarily not comprehensive. Whilst coverage of financial (and commercial) business processes and governance is risk based, it does not assess the areas that involve professional judgement, particularly in relation to care related services and assessments that relate to individual needs.
- 3.7 The Corporate Governance & Audit Committee can also gain wider governance assurance from other sources, (E.g., health & safety, information governance and corporate complaints/ombudsman) although this could be more structured:
- 3.8 Internal Audit looks after fraud investigation, The team investigated areas of customer fraud, and positive outcomes in terms of right to buy refusals, and tenancy recoveries were achieved, alongside routine pursuit of those misusing blue badges. Whilst most fraud risk assessments have been completed, further work is needed recognising the obligations within the Economic Crime and Corporate Transparency Act 2023,
- 3.9 Work continues to be performed for Kirklees Active Leisure (KAL). Outcomes are reported to KAL's own Audit Committee. Audit work is also undertaken for West Yorkshire Fire & Rescue Service (WYFRS), who make substantial use of Kirklees financial systems. WYFRS has its own Audit Committee.
- 3.10 The staffing position in the Internal Audit team remains difficult. IA staffing at the year-end was about five full time equivalent staff (after taking account of work performed for other clients), and whilst attempts continue to fill vacancies, there is limited interest from suitable candidates. Over the years work performed has become more complex and sophisticated, which also impacts on the volume of tasks. There was an underachievement of the Audit Plan.
- 3.11 Internal Audit, and the Head of Internal Audit, operated independently throughout the year. No Officer or Member sought to influence or restrict the scope or areas of activity of any piece of work. The conclusions reached in all the work presented are those of Internal Audit.
- 3.12 There are no areas where, following audit recommendations and discussion, management have formally chosen to refuse to implement recommendations for action (and accordingly overtly accepted the potential consequences as a risk). In some cases, actions have not been taken in accordance with the timescales

contained in agreed action plans. These matters are now escalated through reporting to this Committee.

- 3.13 The information that exists to reach an opinion on the overall control environment that applied in 2025/26 is:
- (a) The assurance work was 77% positive (82% if schools are included)
  - (b) Other assurance information provided to the Committee during the year, e.g. from the external auditor regarding their work on the 2024/25 accounts and internally re Information Governance, Health & Safety and Customer Complaints.
  - (c) The Head of Internal Audit's wider knowledge- heavily subordinated to the other aspects above- about the broad operation of the control environment of the organisation, supported by assessments that basic financial procedures such as reconciliations are being operated.
- 3.14 The Council has an adequate system of financial control. Audit work suggests there is scope for improvement in several areas of financial and business control arrangements to ensure that the objective continue to be met.
- 3.15 The assessment of processes for risk management and governance is more judgement based, although there has also been some specific audit work. The council has taken significant steps to improve its risk management arrangements. As regards governance, this is around clarity of decision making, operations within frameworks of delegation, the constitution and procedure rules.

#### 4. **Performance Measures of Internal Audit**

- 4.1 There is little comparative benchmarking available about the size or costs of Internal Audit. Comparison of staffing numbers locally suggest that taking account of Council (and other) activity, the Kirklees IA team is smaller than might be typical based on functions and size of the organisation
- 4.2 The targets for performance, and those achieved were:

<b><u>Objectives</u></b>	<b><u>Performance Measures- target</u></b>	<b><u>Performance Measures - achieved</u></b>
Achieve planned audit work as adjusted	80% of planned audits achieved	55% of planned audit achieved
Achieve each planned audit within budgeted time allowed.	80% of planned work achieved within initial time budget	63%
Achieve high level of work quality and customer satisfaction.	90% good or better responses to customer questionnaires	Insufficient response; No negative feedback from senior managers
Delivery of completed audit work	85% of draft reports issued within 10 (working) days of completion of site work	86%

- 4.3 A quality assessment based on the consistent assessment criteria did find that all the work was compliant, with some minor omissions noted against the Standards. These are being addressed within the Internal Audit team.

## **5 Effectiveness of the System of Internal Control- Internal Audit**

- 5.1 The Accounts & Audit Regulations (England) require an Authority to conduct an annual review of the effectiveness of their system of internal control. An understanding of the arrangements of Internal Audit supports the ability to use the opinion of the Head of Internal Audit on the internal control environment as a key source of evidence in the Annual Governance Statement. As noted previously, the systems of assurance about internal control come from a wider source than just Internal Audit, although it is a primary source of assurance.
- 5.2 The Global Internal Audit Standards (GIAS) (prepared by the Institute of Internal Auditors) and UK Public Sector Internal Audit Standard took effect in UK public bodies from 1<sup>st</sup> April 2025. These set down the way in which IA services should be provided. As well as the continued requirement for five yearly external assessment (next required in 2027/28) there is a requirement to conduct annual internal assessments. An assessment has been conducted at the end of 2025/26, to assess compliance with the 5 core domain standards which relate to purpose, ethics, governance, management and performance, split down across 54 separate standards. There are principles and requirements that relate to conformance, independence and objectivity, the role of the chief audit executive (Head of Audit), evidence and about the contents of certain audits. (topical requirement). These suggest that the activity is broadly compliant, (which is the highest standard) but further, more detailed, work will be undertaken and reported in due course. (Appendix A)
- 5.3 During 2025/26 the Head of Risk & Internal Audit carried out some wider organisational duties that might be considered to conflict with the purely independent role of the Head of Internal Audit. These relate to roles in relation to Council corporate risk management processes, supervision of the insurance and complaints functions and limited contract and project advice. Any conflicts are managed by independent reporting, and the conflict is stated in any Internal Audit reports- such as the quarterly reports. Whilst the Global Internal Audit Standard (GIAS) expects “purity” of independence from operational duties, the GIAS does accept that a degree of non-conformance with the pure standards may be necessary. (This position was acknowledged by the Committee in approving the Charter at the start of the year)

## **6. Conclusions**

- 6.1 This report has summarised the activities of Internal Audit during 2025/26. Detailed information has been provided to the Corporate Governance & Audit Committee during the year.
- 6.2 Assurance coverage is sample based and not absolute across the entire range of organisational activity, and the very limited resourcing further emphasises this caveat. The proportion of audit work which resulted in an assessment providing

at least adequate assurance is 77%. The remaining were of “limited assurance.” No area had “no assurance.” On the basis of the evidence available (provided in more detail above, specifically 3.13-3.15) the organisation appears to have.

- a. Adequate arrangements for sound governance.
- b. Good arrangements for risk management.
- c. Adequate systems for financial control.

6.3 There is just sufficient evidence to demonstrate that the Council’s system of governance, risk management and internal control is largely effective and that the opinion of the Head of Internal Audit on the internal control environment can be relied upon as a source of evidence in the compilation of the Annual Governance Statement, for the reasons explained in the report.

## 7. **Annual Governance Statement**

7.1 Information generated by Internal Audit forms a key part of the Council’s assessment of the quality of its organisational and business controls and the degree of assurance that can be placed upon their operational effectiveness. This information is used in preparing the Council’s Annual Governance Statement which accompanies the Statement of Accounts.

7.2 The positive opinion that the Council’s arrangements provide an adequate and effective control environment needs to be considered in the context of the breadth of assurance provided by Internal Audit, and the comments contained in this report.

Contact Officer

M E Dearnley – Head of Risk and Internal Audit; – 01484 221000 - x 73672

## **Appendix 1 Annual Review of Internal Audit- Internal assessment – 2025 & 2026**

The Global Internal Audit Standards (GIAS) took effect from 1<sup>st</sup> April 2025 for UK Public Bodies. It requires a periodic internal assessment of performance. It codifies in detail what is good practice is and includes both “must” and “should” areas, although there is opportunity to determine that certain areas are modified, or mitigated due to elements such as size, capacity, resourcing, and local circumstance.

Table 1 shows last years assessment(against the new standard), and progress. Table 2 shows further items identified in the 2026 assessment.

**TABLE 1 -2025**

	<b>GIAS Source</b>	<b>Recommendations</b>	<b>Actions</b>	<b>Update</b>
1	D2 1.1 1.2 4.3	Importance that Internal Audit practitioners demonstrate inquisitiveness, and professional scepticism, and “professional courage”, and maintain ethical standards (e.g. honesty)	Reminder training to be carried out of all IA staff re these areas of required practice	Staff reminded about the need to exercise professional curiosity, and where appropriate courage in executing work
2	D2 4.2 D5 14.2	All internal audit work requires clear scoping as to objectives; Objectives to set judgement criteria for assessment.	Managers and auditors to be reminded to prepare clear briefs for discussion/agreement with client, and auditors/managers to set judgement criteria	All audit work now has a clear specific brief and scope, although more work required in some areas to clearly communicate to client.
3	D5 13.1	Clarity of communication with client about engagement (as 2 above)		
4	D3 6.3	Head of Audit should meet with CGAC without management presence once per year	To discuss with CGAC	CGAC has not requested such a meeting
5	D3 8.2	Ensure continued awareness of CGAC and management about resourcing position of IA	Head of Audit to ensure addressed in all quarterly reporting	Various reports about resourcing position
6		Monitor IIA launch of “topical requirements” to determine extent to which these should be used in IA work	Head of Audit to monitor	As required
	In GIAS report D= domain; n.n=paragraph:			

**TABLE 2 2026**

	<b>GIAS Source</b>	<b>Recommendations</b>	<b>Actions</b>	<b>Update</b>
1	Various D2: 1.1,1.2.1. 3	Training to emphasise honesty, courage, ethics, evidence	Training to Audit team. PRD assessment	June 2026-reminders to team
2	D2 5.	Reminders about confidential information	Training to Audit team. PRD assessment	June 2026-reminders to team
3	D3 8.2	Resourcing may be inadequate	Monitoring by HIA with CGAC	
4	D3 8.3 D4 11.1	Quality- assessment metrics are not really adequate. May be scope for more stakeholder engagement	Additional work to see if any meaningful quality assessment criteria can be identified	
5	D3 8.4	NOTE	External Quality assessment required in 2027/28	
	In GIAS report D= domain; n.n=paragraph:			