

NOT PROTECTIVELY MARKED

# Internal Audit Activity Report

## Audit Committee

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Date: 31 January 2014

Agenda Item:

5

Submitted By: Chief Finance & Procurement Officer

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**Purpose** Internal Audit Activity Report

**Recommendations** That Members note the content of the report.

**Summary** This report provides a summary of the audit activity for the period from July 2013 to December 2013 and reports the findings to the Committee.

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Local Government (Access to information) Act 1972

Exemption Category: Nil

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Background papers open to inspection: None

Annexes: Internal Audit Quarterly report – July – December 2013

## **1 Information**

- 1.1 This Committee has the responsibility for monitoring the work of Internal Audit. In order to facilitate this, Internal Audit provide a quarterly report of its progress which includes a summary of the work completed and an assessment of the level of assurance provided by the systems examined. This report covers the period from July 2013 to December 2013
- 1.2 On completion of each audit the Auditors provide an assessment of the level of assurance that the control systems in place provide. There are four rankings as detailed below:-
- Substantial assurance
- Adequate assurance
- Limited assurance
- No assurance
- More details of how these classifications are measured are provided in the attached annex.
- 1.3 This report includes a detailed explanation of action which has been taken on any audits which are ranked as providing either limited assurance or no assurance.

## **2 Routine Audits**

- 2.1 During the current period four audits have been completed, three of which demonstrated substantial assurance with one only achieving limited assurance.
- 2.2 In addition, section 6 includes details of three follow up audits which have been completed in the period, two of which demonstrated substantial assurance and one again only achieving limited assurance.

### **Audits Offering Limited Assurance**

- 2.3 As mentioned in the previous paragraph, two Audits have only achieved a limited assurance ranking. Both these Audits relate to the IT department and they are both linked to procurement and stock control. Since the Audits there have been a number of meetings between Finance, Audit and management within the IT department to agree an improvement plan which included a physical stock check at the end of January.
- 2.4 The IT department are currently implementing a new electronic stock control system and preparing a reconciliation of items purchased to stock. A detailed report on the outcome will be presented to the next meeting of the Audit Committee.

An explanation of the issues identified is included in the attached appendix to this report.

## **3 Other Work**

- 3.1 Internal Audit has been providing on-going support on the joint Command and Control System on behalf of this Authority and South Yorkshire FRA. As part of this process they have provided assurance to enable the Authority make the first milestone payment on the new IT system. Details of the work done are provided in section 9 of the report.

## **4 Review of Key Recommendations**

- 4.1 Section 8 of the report provides the Committee with an update on the implementation of recommendations from previous audits, all of which have now been actioned.

## **5 Internal Audit Performance**

- 5.1 The final section of the report deals with the performance of the internal audit section against the audit plan.

## **6 Financial Implications**

- 6.1 There are no direct financial implications arising from this report.

## **7 Equality and Diversity Implications**

- 7.1 There are no direct equality and diversity implications arising from this report.

## **8 Health and Safety Implications**

- 8.1 There are no health and safety implications arising from this report.

## **9 Service Plan Links**

- 9.1 The report links to the following Priority;

“To provide effective and ethical governance and achieve value for money in managing resources”.



# INTERNAL AUDIT QUARTERLY REPORT

JULY TO DECEMBER  
2013

Simon Straker: Audit Manager

## ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2013/14 Audit Plan includes 16 pieces of work covering a variety of cyclical audits which meet the expectations of the external auditor and address some of the major risks identified by the Authority.

For ease of reference the audits are categorised as follows:

1. Summary
2. Major and Special Investigations
3. Key Financial Systems
4. Other Financial Systems & Risks
5. Locations and Departments
6. Business Controls
7. Follow Up Audits
8. Recommendation Implementation
9. Other Work
10. Internal Audit's Performance

Investigation summaries may be included as a separate appendix depending upon the nature of the findings.

When reports have been agreed and finalised with the Director concerned and an Action Plan drawn up to implement improvements, the findings are shown in the text. Incomplete audits are shown as Work in Progress together with the status reached: these will be reported in detail in a subsequent report once finalised.

Good practice suggests that the Authority's management and the Audit Committee should receive an audit opinion reached at the time of an audit based upon the management of risk concerning the activity and the operation of financial and other controls. At the first meeting of the Audit Committee, Members resolved to adopt an arrangement relating to the level of assurance that each audit provides. The four degrees of assurance selected are shown overleaf, together with a definition of the adequacy of the control environment and the degree of application of the controls for each opinion. An assessment of the opinion that would be reached based on the prioritisation of recommendations made is also shown.

As agreed with the Audit Committee, the report has been expanded to include details of the key recommendations applicable to each audit that does not result in a formal follow up visit and the action taken by management regarding their implementation (Section 8).

The final section of the report concerns Internal Audit's own performance. There is a need to be mindful that with the relatively small numbers of audits included in the plan, percentages can give a slightly misleading impression. There is a paucity of qualitative measures of the effectiveness of internal audit, the main one being client satisfaction surveys following the completion of an audit for which the return rate is relatively low.

**Assurance Opinions**

	Level	Control Adequacy	Control Application
<b>POSITIVE OPINIONS</b>	Substantial Assurance	A robust framework of all key controls exists that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Adequate Assurance	A sufficient framework of key controls exists that are likely to result in objectives being achieved but the overall control framework could be stronger.	Controls are applied but with some lapses.
<b>NEGATIVE OPINIONS</b>	Limited Assurance	Risk exists of objectives not being achieved due to the absence of a number of key controls in the system.	Significant breakdown in the application of a number of key and / or other controls.
	No assurance	Significant risk exists of objectives not being achieved due to the absence of key controls in the system.	Serious breakdown in the application of key controls.

**Reporting Assurance Levels**

Level	Fundamental	Significant	Merits Attention
SUBSTANTIAL ASSURANCE	There are no fundamental recommendations	There is no more than one significant recommendation	There are no more than 5 merits attention recommendations.
ADEQUATE ASSURANCE	There are no fundamental recommendations	There are 2 – 4 significant recommendations	There are 6 – 10 merits attention recommendations
LIMITED ASSURANCE	There is 1 or more fundamental recommendations	There are more than 4 significant recommendations	There are more than 10 merits attention recommendations
NO ASSURANCE	The number of fundamental recommendations made reflects an unacceptable control environment	N/A	N/A

### Classification of Recommendations

Classification	Action
Fundamental	A recommendation - often requiring immediate action – that is key to maintaining an appropriate control environment and thereby avoiding exposure to a significant risk to the achievement of the objectives of the system, process or location under review.
Significant	A recommendation requiring action that is necessary to improve the control environment and thereby avoid exposure to a risk to the achievement of the objectives of the system, process or location under review.
Merits Attention	A recommendation where action is advised to enhance control or improve operational efficiency.

It is the practice of Internal Audit to undertake follow up audits to ensure that agreed actions have been undertaken. Any audits that produce less than "adequate assurance" will be followed up, together with a sample of the remainder and a new opinion will be expressed about the level of assurance that can be derived from action taken by management to address the weaknesses identified. The implementation or otherwise of all key recommendations in other audits is reported too (Section 8 below).

## **1. SUMMARY**

This report contains information about work both completed and in progress during the second and third quarters of 2013/14, due to the timing of the Committee meetings last year.

Unusually this report includes details of a number of follow up audits that have assessed the degree of implementation of recommendations agreed by management after the original audits produced a Limited Assurance opinion. Whilst two of these audits found that action had been taken and there had been a significant improvement in the control environment, this positive conclusion could not be reached regarding the issue of IT Procurement (page 10). It is agreed that implementation of Delta Procurement (electronic tendering system) may resolve a large part of the on-going issue of managing and maintaining a clear audit trail in the quotation process. However, the Director concerned has confirmed he has issued a priority management directive requiring compliance with Contract Standing Orders.

Two business risk audits concluded with the highest Substantial Assurance opinion. However, an audit of IT inventory items (page 6) produced a Limited Assurance opinion, since there were omissions in security, accountability and record keeping in the IT Department and in transfers to and from equipment users. A full inventory check has been instituted to provide an effective baseline and for any further discrepancies identified to be investigated.

As a result of audit work during this period, it can be concluded that overall processes in place at the time of the audits to control both the financial and other business risks examined are generally of a high standard.

Where applicable, management have agreed any audit recommendations made and completed an Action Plan to address the issues that have been identified in the individual pieces of work.

## **2. SPECIAL INVESTIGATIONS & REVIEWS**

No work of this nature has been undertaken during this period.

## **3. KEY FINANCIAL SYSTEMS**

This category relates to the main financial systems of the Authority which feed into the financial ledger and Annual Accounts and which represent the majority of the Authority's expenditure and income streams. Audit coverage is usually annual.

No audits were scheduled to be undertaken during this period.

#### 4. OTHER FINANCIAL SYSTEMS & RISKS

This category relates to smaller scale and / or lower risk activities reviewed periodically to ensure a full coverage of the Authority's activities.

System / Risk	Findings	Audit Opinion
<b>Director of Corporate Services</b>		
IT Equipment Inventory	<p>An audit in 2012 following a series of equipment thefts highlighted serious control issues regarding the security and management of valuable assets. As a result it was agreed to undertake probity checks across the Authority this year and to include asset management, stock control and inventory records of IT equipment.</p> <p>The security of IT assets once booked out of Supplies by IT staff was not in accordance with the requirements of the Financial Procedure Rules (FPRs), since there was no or insufficient evidence of</p> <ul style="list-style-type: none"> <li>• stock records,</li> <li>• periodic stock checks,</li> <li>• annual inventory checks, or</li> <li>• year-end stock valuation.</li> </ul> <p>There is no corresponding “goods in/out” procedure at the IT department and the arrangements for the disposal of equipment are unsatisfactory. In short, there are gaps in the system from items being booked out of Supplies and installed on the network or issued to users and when taken off the network either temporarily or permanently. The integrity of the data in the Microsoft product used for inventory purposes is compromised and in its current state it does not provide the assurance required, since without baseline information of stock held and an accurate inventory there may be equipment unaccounted for, such as laptops, monitors and docking stations.</p> <p>Within the IT Department, as equipment is selected for set up or repair by the technicians it is stored</p>	Limited Assurance

	<p>randomly in the offices, rather than in the more secure area in the basement. Although the offices are secured by main door entry access control, many officers have access to these areas; whilst some of the equipment may not be above the financial threshold for inventory control, it does fall under the attractive and portable category (per FPRs) and is certainly highly desirable. Given the existing weak controls in the process, loss and / or misappropriation cannot be ruled out and gaps in record keeping and checking mean this may go undetected.</p> <p>Management have responded robustly and by the time of this meeting a full inventory check on all items above £100 is planned to have been undertaken across the Authority. Any discrepancies will be reported and investigated as appropriate to establish a baseline for better control moving forward.</p>	
Members' Allowances Scheme	The system and procedures were found to be operating to a satisfactory standard. The checks undertaken showed that payment of Allowances and travel and subsistence re-imbursment was in accordance with the Scheme in Part 6 of the Constitution.	Substantial Assurance

## 5. LOCATION & DEPARTMENT AUDITS

This category relates to smaller scale and / or lower risk establishments reviewed periodically to ensure a full coverage of the Authority's activity in accordance with the Audit Strategy, routine station audits have ceased.

No audits of this type were undertaken during this period.

## 6. BUSINESS RISK AUDITS

This category of audits reflects the revised Audit Strategy to move towards an increased coverage of the controls and management actions to respond to the major risks to the Authority's objectives as codified in the Corporate Risk Matrix.

Risk	Findings	Audit Opinion
<b>Director of Service Delivery</b>		
Wide Area Flooding	<p>The management controls as described in the Risk Matrix were found to be sound, with satisfactory procedures and arrangements in place to enable flooding risks to be managed effectively. The basis for reducing the risk score to its current score appears well founded and to reflect the level of additional resources devoted to this issue.</p> <p>The Authority is maintaining a flood rescue capability which allows a tactical and operational response to flooding incidents. The tiered response ranges from responding to a minor domestic incident up to a large scale mobilisation of resources forming part of a multi-agency response to wide area flooding. This response capability is supported by clear, up-to-date, and tested, tactical guidance and operational procedures, and specialist teams equipped with the necessary training and equipment.</p>	Substantial Assurance
<b>Director of Corporate Services</b>		
Vehicle Accidents	<p>The management controls and arrangements as described in the Risk Matrix have been examined and found to be sound, with risks being managed appropriately.</p> <p>Operational Procedure 28 and Management of Occupational Road Risk Policy provide the</p>	Substantial Assurance

	<p>operational requirements for the required driving standards which are supported by vehicle safety inspections and maintenance, accident reporting and driver training. The implementation of the electronic safety event reporting database has enabled a more consistent and timely process for recording incidents and reporting management information which enables identification of common themes or failings to feed into training and transport actions as required based upon the close monitored and directives and guidance are provided via the Occupational Health &amp; Safety Team.</p> <p>Additional management actions now in place include the Green Wave traffic light technology, originally piloted at Hunslet which is now in use at Kirkstall Road and Gipton in Leeds.</p>	
<b>Director of Strategic Development</b>		
Implementation of IRMP	Audit in progress.	

## 7 FOLLOW UP AUDITS

Any audits that result in a less than adequate assurance opinion are followed up usually within six months, depending upon the timescale for implementing the agreed recommendations. Additionally, a sample of other audits is followed up periodically too.

<b>System</b>	<b>Findings</b>	<b>Audit Opinion</b>
<b>Chief Finance &amp; Procurement Officer</b>		
Supplier Bank Detail Changes	An audit was undertaken in 2012 with regard to the risk of fraudulent and erroneous changes to suppliers' bank account details resulting in significant loss and reputational damage which produced a Limited Assurance opinion based upon the lack of awareness and independent	Adequate Assurance

	<p>verification undertaken. As WYFRA suppliers' details are held in the same database as the Kirklees Council's (and a third organisation), and several suppliers are used by two or all three, any control weaknesses identified in any one may impact on payments made by the other organisations. The Audit Commission's "Protecting the Public Purse" report (November 2013) advises authorities to remain vigilant to this continuing fraud risk, just one large fraudulent payment could result in severe loss to the organisation concerned. Local authorities have now lost over £1m to this fraud and although originally aimed at the larger construction companies it is widening to other supplies and services.</p> <p>To date the levels of this type of attempted fraud detected and reported within the organisations sharing the central database are minimal. Relevant Council and WYFRA staff were informed of the potential fraud risk at the close of the original audit but it has not been re-iterated since then. Since the previous audit the processes have been changed and standards have improved but there is still room for further improvement within Council staff effecting changes, evidencing checks undertaken and in the checking of any changes made by the central database team. Since the operation of the database is managed by Kirklees Council, the Chief Finance &amp; Procurement Officer has been advised to seek assurance that these issues will be addressed accordingly.</p>	
<p><b>Director of Corporate Services</b></p>		
<p>IT Procurement</p>	<p>An audit in 2012 of IT procurement processes and controls produced a Limited Assurance Opinion and concluded that the methods and processes in place with regard to supplier selection and IT procurement were inconsistent, not properly recorded and did not meet the requirements of the Contract Standing Orders (CSOs).</p> <p>A follow-up audit was undertaken to assess the implementation of the agreed seven audit recommendations, two of which were prioritised as being 'fundamental' and three as 'significant'.</p> <p>A delay in the implementation of Delta e-sourcing (for IT procurement) has resulted in the IT Manager continuing to procure via the same methods that led to the previous Limited Assurance opinion. However, the overall level of record keeping has improved and the issue, receipt and opening of quotations process is now undertaken via a restricted e-mail account. Nevertheless, the same officer remains responsible both for preparing and opening quotes (no one else is in</p>	<p>Limited Assurance</p>

	<p>attendance), and the details of all suppliers' bids and their quotes are not recorded.</p> <p>The improvements noted were not sufficient to demonstrate full compliance with CSOs and the Procurement Strategy and therefore the overall level of assurance remains limited.</p> <p>Providing that Delta e-sourcing is properly utilised once introduced, it will improve existing processes and provide a transparent and consistent methodology to provide assurance that the Authority is CSO compliant and achieving value for money in this area of procurement.</p>	
Equipment Control	<p>Action has been taken to address all the recommendations agreed as the outcome of the investigation into the theft of several thermal imaging cameras and sundry equipment in 2012 by one of the in-house couriers. The case is scheduled for crown court and steps are in place to secure return of three of the missing cameras.</p> <p>However, in relation to the review of the Equipment Management System (EMS) application, this remained on-going at the time of the follow-up audit. Management Board needs to be satisfied that the outcome of the working group review addresses all of the control issues identified by the previous audit satisfactorily, notably</p> <ul style="list-style-type: none"> <li>• access to the 'unallocated' and new 'withdrawn from service' categories are restricted appropriately to prevent these being used as a means to obscure the whereabouts of items of equipment; and</li> <li>• a process is put in place to record and control equipment which is in transit, for similar reasons.</li> </ul> <p>Awareness training will be required across the Brigade in order to communicate the planned system and procedural changes in relation to entry requirements on the EMS to ensure accuracy, consistency, and a full audit trail.</p>	Adequate Assurance
Director of Strategic Development		
Vehicle Fleet Review	Audit in Progress	

## 8. REVIEW OF KEY RECOMMENDATIONS

All the key recommendations outstanding are covered in follow up audits described above.

## 9. OTHER WORK

System	Findings	Audit Opinion
<b>Director of Strategic Development</b>		
Milestone Interim Payment Methodology and Change Control	<p>As part of the continuing support of the Joint Command and Control project with South Yorkshire FRA, Internal Audit were asked by the Project Board to review</p> <ul style="list-style-type: none"><li>the methodology that under-pinned a proposed interim payment to the contractor, since the full conditions of the projected payment of 10% of the contract value (£267,000) had not been met within the contractual timescale, and</li><li>a change control with a significant financial implication (£100,000) concerning the system architecture.</li></ul> <p>The decision to make a part (two thirds) payment reflected the amount of hardware investment undertaken by the contractor and promoted the continuation of a positive working relationship with the company which will help facilitate the overall project implementation timetable. Moreover, as the second milestone represents for 40% of the contract sum (£1m+) and was then due shortly, it was determined there was still significant leverage to effect further improved performance should that become necessary. It was established that the proposed methodology took account of the weighted priority of the various elements which had been signed off by both Authorities and the evidence behind the payment was transparent and robust.</p> <p>As regards the change control, there was clearly a difference of interpretation and understanding regarding the resilience of the technical architecture specified and tendered. The contractor confirmed that their system could meet the specification requirement and their solution does so from a technical point of view, however operationally it was not acceptable due to the potential for a loss of data in a window of up to 30 minutes at one authority if the other is managing call response</p>	Substantial Assurance

in the event of a technical failure. It was accepted that the overall requirement was not made sufficiently clear for accurate tendering, resulting in a genuine error arising from a misunderstanding on the part of both parties, possibly because the contractor had not implemented a specification of this type before. On this basis, the proposal to effectively split the additional costs three ways appeared reasonable.



**10 INTERNAL AUDIT'S PERFORMANCE 2013/14**

<b>Performance Indicators</b>	<b>12/13 Actual</b>	<b>13/14 Target</b>	<b>13/14 Actual</b>
Audits completed within the planned time allowance	70%	80%	78%
Draft reports issued within 10 days of fieldwork completion	85%	90%	89%
Client satisfaction in post audit questionnaires	83%	90%	100%
Chargeable audit days	184	160	93
QA compliance sample checks – percentage pass	100	90	100
Planned Audits Completed	13	16	9
Planned Audits In Progress	0		2
Unplanned Work Completed	7		1
Unplanned Work In Progress	0		0

NOT PROTECTIVELY MARKED

# Abridged Performance Management Report

## Audit Committee

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Date: 31 January 2014

Agenda Item:

6

Submitted By: Alison Davey

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<b>Purpose</b>	To inform Members of the Authority's performance against Key Performance Indicators where targets are not being achieved or where in comparison with all seven Metropolitan Fire and Rescue Authorities, West Yorkshire performs seventh.
<b>Recommendations</b>	That Members note the report
<b>Summary</b>	The Performance Management and Activity Report which is presented to the Full Authority outlines the Authority's performance against key performance indicators thereby enabling the Authority to measure, monitor and evaluate performance against targets. This report highlights the key performance indicators where targets are not being achieved or where comparisons with all seven Metropolitan Fire and Rescue Authorities identify West Yorkshire as performing seventh.

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Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Alison Davey

Background papers open to inspection: None

Annexes: Abridged Performance Management Report

## **1 Introduction**

- 1.1 The Performance Management and Activity Report, which is presented to each Full Authority meeting outlines the Authority's performance against key performance indicators thereby enabling the Authority to measure, monitor and evaluate performance against targets. These are detailed in three categories as shown below:
- o Key Performance Indicators
  - o Service Delivery Indicators
  - o Corporate Health Indicators
- 1.2 The Performance Management and Activity Report is monitored bi-monthly by Management Team and by the Full Authority at each meeting.
- 1.3 A traffic light system is used to provide a clear visual indicator of performance against each specific target and 'direction of travel' arrows indicate whether performance has improved, remained the same or deteriorated since the same period the previous year.

## **2 Information**

- 2.1 The attached report highlights the key performance indicators where the targets are not being achieved or where comparisons with all seven Metropolitan Fire and Rescue Authorities identifies West Yorkshire as performing seventh.
- 2.2 Information regarding reasons why performance is not at the required level, together with actions being taken to address this, is provided within the report.

## **3 Financial Implications**

- 3.1 There are no financial implications arising from this report.

## **4 Equality and Diversity Implications**

- 4.1 Measurement against key indicators on equality and diversity are included in the Performance Management Report.

## **5 Health and Safety Implications**

- 5.1 There are no Health and safety implications associated with this report.

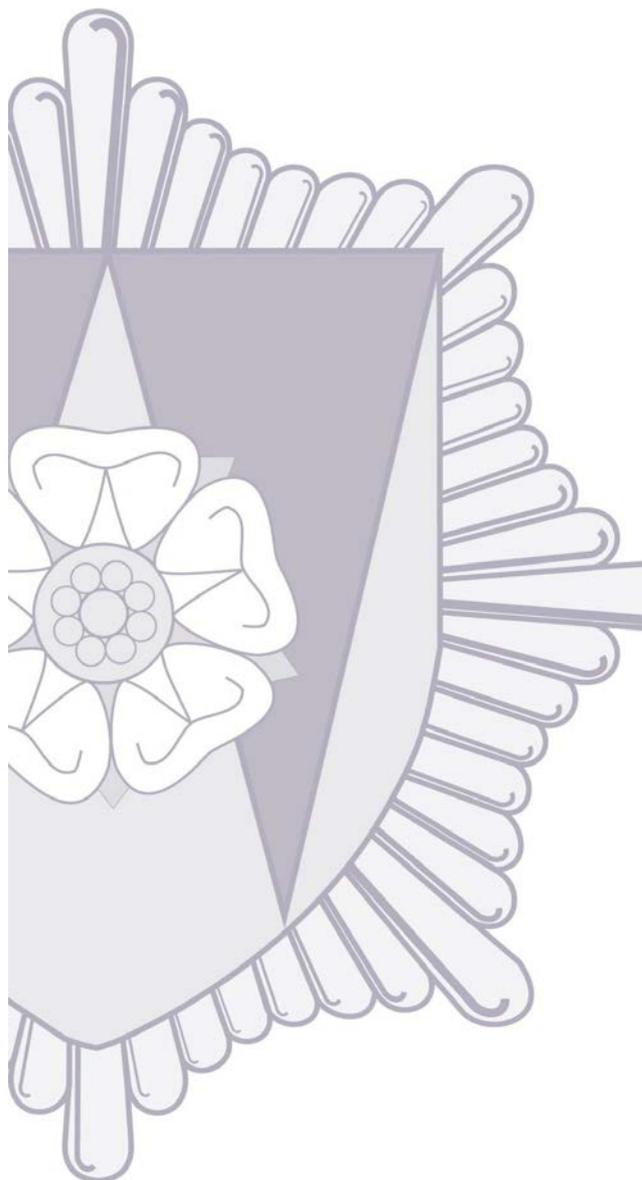
## **6 Service Plan Links**

- 6.1 This report links to all the Service Plan priorities.

## **7 Conclusions**

- 7.1 That Members note the report.

# Performance Management and Activity Report (Abridged) 2013/14



Period Covered: 1 April 2013 –  
31 October 2013  
Date Issued: 17 December 2013

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# 1 Introduction/Summary

The purpose of this report is to provide information regarding the performance of West Yorkshire Fire and Rescue Service against selected performance indicators for which the Authority is not achieving target.

The first page provides a summary of performance against all performance indicators detailed within the full Performance Management and Activity Report which is presented to each Full Authority Committee meeting.

In this report, appropriate and progressive monthly statistics have been utilised to identify trends in performance, with corresponding information regarding the action being taken to address areas of under-performance. Information regarding a selection of local performance targets has also been provided in this report and comparisons have been made with the previous year's performance.

All data, unless specified, is for the reporting period 1 April – 31 October 2013.

A traffic light system has been employed to provide a straightforward visual indicator of performance against each specific target.

Comparative data, in respect of other Metropolitan Fire Authorities, is collated to allow West Yorkshire Fire and Rescue Service to benchmark its performance against those similar Authorities. This report details if there are any indicators in which West Yorkshire Fire and Rescue Service have performed the worst in comparison with the other Fire Authorities. This data is collated on a quarterly basis.

If further data is available following the last Performance Management Report presented to the Full Authority, this has been included to show the performance trend.

## 2 Target Summary - Overview

### Legend

	Purple indicates target not applicable
	Red indicates not achieving target
	Amber indicates satisfactory performance (within 10% of target)
	Green indicates achieving or exceeding target
	Grey indicates there is currently no data available for this indicator
	Direction of travel, compared to position at this time last year (DOT)

### Service Delivery Indicators

Indicator	Description	Annual Target	Performance	DOT
SD1	Accidental Dwelling Fires (per 10,000 dwellings)	12.84	6.44	↑
SD2	Number of deaths arising from accidental fires in dwellings per 100,000 population	0.40	0.27	↓
SD3	Number of Injuries arising from accidental fires in dwellings per 100,000 population	6.65	3.32	↑
	(a) Number of Serious Injuries per 100,000 population	Not set	0.31	↓
	(b) Number of Slight Injuries per 100,000 population	Not set	3.01	↑
SD5	Number of calls to malicious false alarms per 1000 population – not attended	0.41	0.06	↑
SD6	Number of calls to malicious false alarms per 1000 population – attended	0.56	0.10	↑
SD7	Unwanted fire signals from automatic fire detection equipment per 1000 non-domestic properties	83.07	28.10	↑
SD8	False alarms caused by automatic fire detection apparatus per 1000 domestic properties	Not set	3.04	↑
SD9	Fires in non-domestic premises per 1000 non-domestic premises	7.11	3.11	↓
SD10(a)	The percentage of fires attended in dwellings where there was a working smoke alarm	51.7%	54.7%	↑
SD10(b)	The percentage of fires attended in dwellings where a smoke alarm, because it was faulty or incorrectly sited, did not activate	8.7%	5.7%	↑
SD10(c)	The percentage of fires attended in dwellings where a correctly sited and working smoke alarm did not activate	N/A	17.6%	N/A
SD10(d)	The percentage of fires attended in dwellings where no smoke alarm was fitted	43.6%	21.9%	↑

SD11(a)	Number of Primary Fires per 100,000 population	208.35	80.19	↑
SD11(b)	Number of Fire Fatalities per 100,000 population – Accidental Dwelling Fires	0.40	0.27	↓
SD11(c)	Number of Fire Fatalities per 100,000 population – Other Fires	Not set	0.13	↓
SD11(d)	Number of Fire Casualties (excluding Precautionary Checks) per 100,000 population	9.60	4.81	↓
SD12(a)	Arson Incidents (All Deliberate Fires) per 10,000 population	53.98	17.77	↓
SD12(b)	Arson Incidents (Deliberate Primary Fires) per 10,000 population	12.81	3.25	↑
SD12(c)	Arson Incidents (Deliberate Secondary Fires) per 10,000 population	42.24	14.52	↓

### Corporate Health Indicators

Indicator	Description	Annual Target	Performance	DOT
CH4	Average number of working days / shifts lost to sickness	6.12	3.45	↑
CH5(a)	Health and Safety <3 days injuries (Lost time)	44	11	↑
CH5(b)	Health and Safety (Total injuries) Fatal Injuries	0	0	↔
CH5(c)	Health and Safety (Total injuries) Major Injuries	Not set	1	↑
CH5(d)	Health and Safety (Total injuries) 3 + days Injuries	32	15	↓
CH7	Expenditure per head of population on the provision of fire and rescue services	£40.00	£38.50	N/A
CH9	Forecast Budget Variance (% Variance against overall budget) (2012/13 Q4 figure)	<1%	-1.9%	↑
CH10	Percentage of invoices for goods and services paid by the Authority within 30 days (stand alone month)	100%	98.73%	N/A
CH11	Forecast Capital Payments - Actual figures £s	£6,797,677	£4,100,677	N/A
CH13	Debtors – Value of debt outstanding which is over 60 days old	Not set	£27,797	N/A
CH14(a)	Customer Satisfaction - % Overall Satisfaction with the service provided: Quality of Service Domestic	>95%	98%	↑
CH14(b)	Customer Satisfaction - % Overall Satisfaction with the service provided: Quality of Service Non Domestic	>95%	99%	↑
CH14(c)	Customer Satisfaction - % Overall Satisfaction with the service provided: Home Fire Safety Checks	>95%	99%	↓
CH14(d)	Customer Satisfaction - % Overall Satisfaction with the service provided: School Fire Safety Visits	>95%	100%	↓

### 3 Service Delivery Indicators

BVPI	Description	Cumulative Year to Date Performance												Direction of Travel compared to position at this time last year	Target Full Year	
		To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 29 Feb	To 31 Mar			
SD2 / SD11(b)	Number of Deaths arising from Accidental Fires in Dwellings per 100,000 population	0.09 (2)	0.18 (4)	0.22 (5)	0.22 (5)	0.27 (6)	0.27 (6)	0.27 (6)							↓ <b>0.09</b> (2) at 31 Oct 2012	<b>0.40 (9)</b>

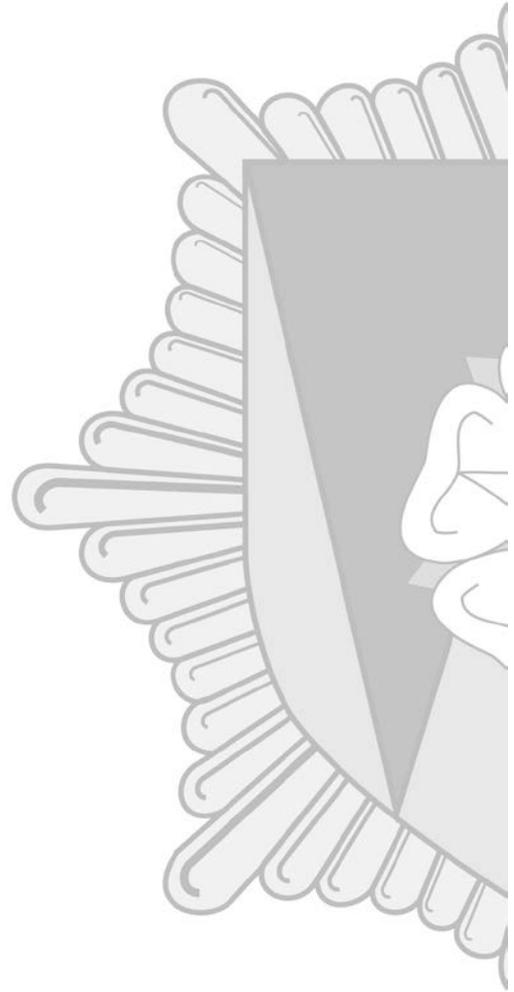
**Comments:**

Whilst the number of fatalities at accidental fires in dwellings has been above the target, it must be taken in the context of the underlying trend being down, with a huge improvement when considered against similar periods more than ten years ago. The reduction of dwelling fires, and the deaths that are associated with them, remains the highest priority of the WYFRS Prevention Strategy and the focus of the Home Fire Safety Check strategy with the greatest resources committed to those areas or individual behaviours of greatest risk.

## 4 Regulation of Investigatory Powers Act (RIPA) 2000

The Regulation of Investigatory Powers Act (RIPA) 2000 regulates the use of the powers to conduct covert surveillance by public bodies including West Yorkshire Fire and Rescue Authority. The Authority adheres to procedures based on the Codes of Practice produced by the Home Office. Annual returns are submitted to the Office of Surveillance Commissioners and the Interception of Communications Commissioners Office. The annual number of applications, authorisations and rejections are stated in the Annual Corporate Health Report which is submitted to the Full Authority Annual General meeting. A breakdown for this period is stated below.

<b>Period: 1 April 2013 to 31 October 2013</b>	<b>Applications</b>	<b>Authorisations</b>	<b>Rejections</b>
Directed Surveillance	0	0	0
Covert Human Intelligence Sources	0	0	0
Disclosure of Communications Data	0	0	0



West Yorkshire Fire and Rescue Service  
Oakroyd Hall  
Birkenshaw  
BD11 2DY

# Public Sector Internal Audit Standards

## Audit Committee

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Date: 31 January 2014

Agenda Item:

7

Submitted By: Chief Finance and Procurement Officer

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### Purpose

This report describes the new Public Sector Internal Audit Standard (PSIAS) that came into effect in April 2013. These standards are mandatory and will underpin the effectiveness of internal audit arrangements within the Authority.

### Recommendations

- 1.The Committee notes the report and the intention to seek future external assessment; and
- 2.The Committee approves the draft Internal Audit Charter as detailed as Annex B to the report.

### Summary

With effect from April 2013, local authorities are required to follow the Public Sector Internal Audit Standards, which apply international internal audit standards to the UK public sector. This report sets out how the Fire Authority will comply with the new standards

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Local Government (Access to information) Act 1972

Exemption Category:

None

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Background papers open to inspection: Public Sector Internal Audit Standards - Applying the IIA international standards to the UK public sector. (ISBN 9781845083564; & on the internet)  
Local Government application note for the UK PSIAS; CIPFA

Annexes:

Annex A – PSIAS Standards  
Annex B – WYFRA Internal Audit Charter

## **1 Introduction**

- 1.1 This report describes the new Public Sector Internal Audit Standard (PSIAS) that came into effect in April 2013. These standards are mandatory and will underpin the effectiveness of internal audit arrangements within the Authority.
- 1.2 The Head of Audit is required to report on conformance with the PSIAS in his annual report (to the Audit Committee).
- 1.3 To the extent that the Authority's external auditors place reliance on the work of internal audit, their annual fee assumes they can place full reliance when needed, they do so on the basis that internal audit complies with professional standards.
- 1.4 This report sets out the key changes, highlighting areas where these differ from the previous Code of Practice for Internal Audit in Local Government (CIPFA, 2006). It indicates the changes in arrangements that are necessary and makes recommendations about how these might be addressed. In particular, the PSIAS require that the internal audit activity is governed by way of a Charter, which sets out matters such as ethics, methods of working, roles and responsibilities. The proposed Charter is attached as Annex B.
- 1.5 Internal audit has an important role in supporting the organisation in achieving its objectives. The required changes to the audit arrangements should enhance this role.

## **2 Information**

- 2.1 UK local authorities are required to have an internal audit function. With effect from April 2013, local authorities are required to follow the PSIAS, which apply international internal audit standards to the UK public sector. The way that the activity is operated in local authorities is regulated by way of standards for which CIPFA has responsibility. CIPFA finally published additional guidance, during April 2013, to assist local authorities to implement the standards.
- 2.2 Since the Standards and CIPFA guidance were published Internal Audit has been working with the Chief Finance & Procurement Officer to review the current degree of compliance and establish how the relatively small gap in action required should be addressed. This report sets out the key features of the standards, and indicates where current internal audit arrangements are at variance to them and how this might be addressed.
- 2.3 The PSIAS replace the CIPFA Code of Practice for Internal Audit in Local Government (2006). This Code was regarded as "standards for proper practices" as per the Accounts and Audit Regulations 2011. Previous effectiveness reviews of Internal Audit have assessed the level of compliance with the Code of Practice.
- 2.4 The PSIAS are based on the International Standards of Internal Auditing and developed and issued by CIPFA, the Chartered Institute of Internal Auditors UK (CIIA) and HM Treasury. They provide a coherent and consistent internal audit framework for the whole of the public sector.
- 2.5 The objectives of the PSIAS are to:
  - Define the nature of internal audit within the UK public sector;
  - Set basic principles for carrying out internal audit in the UK public sector;
  - Establish a framework for providing internal audit services, which adds value to the organisation, leading to improved organisational processes and operations; and
  - Establish the basis for the evaluation of internal audit performance and to drive improved planning.

- 2.6 The PSIAS apply to all such organisations irrespective of whether the activity is provided in-house, by a shared service or outsourced. If the activity is not provided in-house, the responsibility for maintaining an effective internal audit continues to remain with the organisation (Chief Finance & Procurement Officer). The Standards relate both to the provider and its work and client organisation arrangements for reporting and responding accordingly, and so encompass the role and performance of this Committee too.
- 2.7 The PSIAS contain a revised definition of internal audit as follows:
- 'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance'.*
- 2.8 The Standards identify two strands of activity by internal audit functions
- Assurance, and
  - Consulting
- 2.9 The Standards also require that internal auditors must conform to a code of ethics. This recognises the seven Nolan principles of public life. (Those who are members of any professional body must also conform to that body's ethical code). The ethical code includes a requirement to operate with;
- Integrity (trust, honesty, diligence, responsibility and respect for the law, thus providing a basis for relying on their judgement);
  - Objectivity (gathering, evaluating and communicating information and evidence, so making a balanced assessment not influenced by the personal interest or others when forming judgements);
  - Confidentiality (respect information and not to disclose it other than where authorised or obligated, nor to use it for personal gain); and
  - Competency (apply appropriate knowledge, skill and experience, proficiency, effectiveness and quality).
- 2.10 The formal standards relate to Attribute and Performance Standards. The main requirements are shown in more detail in Annex A.

### **3 Implications for the Authority**

- 3.1 The current operational practices of Kirklees Council Internal Audit generally align very closely with the new standards. This might be expected, given that the operations met the previous Code that was specific to local authority internal auditing. However, there are a number of aspects where existing operations do not exactly conform to the new requirements, or where additional actions and practices will be required in time to achieve compliance. A previous ability to report on impairments to pure objectivity no longer appears as a choice.

The main issues arising are as shown below together with the proposed action in bold.

- 3.2 Independence and Objectivity. (PSIAS 1100)

The Head of Audit (& Risk) at Kirklees Council currently has operational responsibility for risk management processes that include the Insurance activity, upon which the Authority rely to some extent. The Head of Audit & Risk, and audit staff more generally, also provide some consulting services on Authority procurement related activity, typically financial evaluation of prospective contractors. Both of these roles may create a conflict. Consultations with neighbouring authorities who have similar management arrangements and roles for their Head of Internal Audit suggest that they believe that ensuring that assurance work related to insurance and the risk management

/procurement process is reported directly from an audit manager to the Chief Finance Officer (or equivalent) is sufficient to overcome the impairment standard (and this practice is then reported and acknowledged as an arrangement of practice in the IA Charter).

**Consequently, to help mitigate against a conflict of interest, it is proposed that the arrangement whereby one of the Audit Managers at Kirklees Council is the lead for Authority related internal audit work liaising with and reporting to the Chief Finance & Procurement Officer and attending the Audit Committee is recognised formally.**

- 3.3 A second potential issue relates to Internal Audit's access to this Committee and the Chair, should the need ever arise. The Chief Finance & Procurement Officer is responsible for overseeing the internal audit function and as such hitherto reports to this Committee on the work of Internal Audit, rather than the Head of Internal Audit doing so directly as would occur in an in-house arrangement more common in most local authorities. Due to the terms of reference of the Committee that result in all members of the Management Board being present at meetings, there is no current provision for the Members to meet privately with the Head of Internal Audit should that become necessary.

**It is proposed that this situation be acknowledged and a view taken if any further action is appropriate.**

3.4 Quality assurance & improvement (PSIAS 1300)

Although internal audit currently has a statement of role, purpose and ethos and operates a number of performance measures (performance statistics, customer feedback and quality assurance assessment, cost and efficiency benchmarks), this is perhaps not as integrated as is required by the new standard.

There is a requirement for an annual internal assessment of Standard compliance. Hitherto, periodic self-assessment of Code compliance has been included in the Annual Report of Internal Audit.

**It is envisaged a similar process will operate now on an annual basis, subject to outcome confirmation from the Chief Finance & Procurement Officer.**

- 3.5 There is currently no external assessment of Code compliance, so having one of Standards compliance at least every 5 years as required represents a new requirement. CIPFA has developed a long and detailed checklist running to over 100 individual items to facilitate the process. It was considered initially that the first assessment should take place towards the end of the 5 year period, once operation within the new standards had been embedded. However, it now appears that CIPFA may be minded to instruct that the first assessment is undertaken no later than 31 March 2016.
- 3.6 It is likely that some form of inter authority assessment (though not on a one to one basis) will be acceptable as an appropriate response, although alternative options would include the use of an external consultant or adviser. There is likely to be greater clarity about options, and the advantages, disadvantages and costs of each option before a final choice has to be made. As Kirklees Council will also have to undertake an external assessment, it appears sensible that this should coincide with one for this Authority too as many elements will be similar, although a separate conclusion will be required because of a different relationship and charter with each organisation.

**Arrangements for this external assessment will need to be considered and agreed by the Audit Committee and the Chief Finance & Procurement Officer in due course, although responsibility for arranging for the assessment lies with the Head of Internal Audit in the Standards, who also has an obligation to arrange for faithful reporting of outcomes (and any Action Plan) from the assessment.**

### 3.7 Performance standards (PSIAS 2000)

All of the obligations are met implicitly at present but in keeping with much of the rest of the standard, this will require some additional documenting of management activity. Whilst potentially there could be some issues about demonstrating that management are suitably engaged, processes are in place to ensure that all the members of the Management Board have broad awareness of assurance issues (and Internal Audit consultancy outcomes) that face the organisation.

The Standards require each internal audit activity to work within a stated Charter.

3.8 The proposed document is attached as Annex B, which sets out amongst other areas matters such as;

- Objectives and Scope
- Independence, responsibility and authority
- Performance management and quality
- Reporting and delivery

3.9 The current Audit Plan has been revised to reflect the balance of assurance or consulting objective of individual items as required and this format will continue in future plans approved by this Committee.

3.10 Neither the Standards nor the Charter establish the nature, volume or cost of internal audit work that has to be carried out. That is a matter for the organisation, and particularly for those charged with governance (the Audit Committee) in consultation with the Head of Internal Audit, and other key stakeholders, particularly the Chief Finance & Procurement Officer, taking account of risk and risk appetite and organisational circumstances.

## **4 Consultees and their opinion**

4.1 The Chief Finance & Procurement Officer has reviewed this report and the draft Charter and is content with both.

## **5 Financial Implications**

5.1 There are no direct financial implications arising from this report.

## **6 Equality and Diversity Implications**

6.1 There are no direct equality and diversity implications arising from this report.

## **7 Health and Safety Implications**

7.1 There are no direct health and safety implications arising from this report.

## **8 Service Plan Links**

8.1 This report links to the following priority;

“To provide effective and ethical governance and achieve value for money in managing resources”.

## **PSIAS**

### **Attribute Standards**

#### *Purpose, authority and responsibility (PSIAS 1000)*

These roles have to be described in a charter consistent with the definition and ethics (2.6 and 2.7 above) and presented to senior management and approved by the Board (Audit Committee). The charter has to set out matters relating to resourcing, fraud related work and any conflicts of activity (with non-audit work) (section 3.1).

#### *Independence and Objectivity (PSIAS 1100)*

This requires the Head of Internal Audit (HoIA) (the Chief Audit Executive in the words of the standard), to have unrestricted access to senior management and the Board. There must be an unbiased assessment not influenced by matters other than fact. Any threats to independence must be managed at individual auditor, project, function and organisational levels, arising either from personal conflicts, or attempts to influence an outcome which might impact on objective judgement. No auditor should carry out assurance work over any activity that they had an operational role, including management within the previous year, and operational management roles of the HoIA require oversight of any assurance work by a party outside of the internal audit activity.

#### *Proficiency and Due Professional Care (PSIAS 1200)*

This requires work to be carried out by auditors with sufficient skill and knowledge, individually and collectively to meet their responsibilities. This includes a requirement that the HoIA hold a relevant professional qualification and is suitably experienced, and that staff are appropriately skilled. The requirements include an ability to understand fraud risk (although this does not create any requirement by the standard to detect or investigate fraud), and technology. Consulting work should only be taken where it lies within the skill areas of internal audit staff (or additional support necessary to ensure competent completion of the assignment).

#### *Quality assurance & improvement (PSIAS 1300)*

Internal audit are expected to have written policies and procedures, monitoring and quality systems that facilitate and enable evaluation of conformance with the PSIAS standards and ethics, efficiency and effectiveness, and identifying opportunity for improvement. This includes a requirement for an at least annual internal assessment, and a 5 yearly external assessment. The outcomes of the assessment work must be reported in the Annual Report of Internal Audit, and instances of non-conformance (with required practice) must be reported to the Board, with significant deviation being considered for inclusion in the governance statement.

### **Performance Standards**

#### *Managing the internal audit activity (PSIAS 2000)*

Internal audit is required to be effectively managed to add value to the organisation- by providing objective and relevant assurance, and a contribution to the effectiveness and efficiency of the organisations governance, management and control processes, and conforming with the internal audit charter, and the definitions and ethics required by the standard. There must be a risk based audit plan, consistent with the organisations goals, and designed around the need to produce an annual opinion, based on assessment and assurances. The plan must be based on an at least annual documented risk assessment, taking account of views of the board and senior management. Consulting projects must be included in the plan, and the HoIA is required at this stage to indicate if the plan is believed to be achievable within the resources allocated. Work should utilise all sources of assurance (e.g. from another organisation, or review agency). There must be periodic reporting of activity, emphasising significant risk exposure.

#### *Nature of Work (PSIAS 2100)*

Audit work must be systematic and disciplined, and have objectives of promoting appropriate ethics and values, effective entity performance and accountability, communicating risk and control information to both the board and across the organisation. This requires an overall assessment of the extent to which the entities risk management arrangements align with its objectives, its risk appetite and that those risks are appropriately identified, captured and communicated. Governance processes must ensure operations achieve strategic objectives; generate reliable operational and financial information; are effective and efficient; safeguard assets and achieve compliance with laws, rules and internal policies and procedures. The risks of fraud and its management must also be evaluated. These assessments include evaluation of risk and the adequacy of the controls.

#### *Engagement Planning (PSIAS 2200)*

This requires a documented work programme and plan for each engagement which establishes objectives, scope, timing and resources, including the purpose of the system, the risks from the system, the adequacy of its controls, by comparison (where appropriate) with a framework or model, and opportunity for improvements. Any uncertainties about scope and responsibilities must be clearly set out and agreed with the client. Consulting work must also be documented and any assurance or control issues identified during the work addressed.

#### *Performing the Engagement (PSIAS 2300)*

The auditor must identify, analyse, evaluate and document sufficient information to enable and show achievement of the assignment objective, and the conclusions reached. The standard indicates features that this information should have (such as accuracy).The information must be retained, and kept appropriately (not released other than where obligated or agreed) and the activity should be supervised to ensure achievement of objectives, quality control and staff development.

#### *Communicating Results (PSIAS 2400)*

The standard requires that the results of each engagement are communicated to the organisation. The report has to include the assignment objectives and its conclusion, recommendations and action plan, and where appropriate an opinion. This should be based on the consideration of the results from the engagement and their significance. The report should be accurate, objective, concise, constructive, complete and timely. They must also disclose any non-conformance (impairment).

Consultancy work must be similarly reported, including any governance, risk or control issues that were also identified in the consulting work. There is also an obligation to produce an Annual Report that can be used to inform the governance statement of the organisation. The Annual Report must reach conclusions on the adequacy and effectiveness of the organisation's framework of governance, risk management and control, and incorporate a summary of work performed, an overall opinion, and a statement of conformance with the standards.

#### *Monitoring Progress (PSIAS 2500)*

There is a requirement to maintain a system that monitors the issue of and response to audit communications, and a follow up arrangement to ensure that promised changes to procedures have been actioned.

#### *Communication of the Acceptance of Risks (PSIAS 2600)*

The Head of Audit is required to discuss, with senior management, any risks which have been identified through any work that are considered to be unacceptable to the organisation. If the discussion does not resolve the concern there is requirement for the matter to be reported to the Board.

# Internal Audit Charter

## **NOT PROTECTIVELY MARKED**

Ownership: Chief Finance and Procurement Officer

Date Issued: 31/01/2014

Version: 1/2014 Status: Draft



## Revision and Signoff Sheet

### Change Record

Date	Author	Version	Comments
20/01/2014		1/2014	

### Reviewers

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## **1. Introduction**

The Public Sector Internal Audit Standards (PSIAS) are mandatory guidance which states the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance. These standards in local authorities are supplemented by additional guidance from CIPFA that has regulatory authority in this respect for local government in the UK.

The PSIAS require that there is a formal Internal Audit Charter defining its purpose, authority and responsibilities, which must be consistent with its definition of internal audit, code of ethics and professional standards.

The Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit advises the Authority on whether effective and efficient arrangements exist, cumulating in the annual Internal Audit opinion, which informs the Annual Governance Statement. Optimum benefit to the Authority arises when Internal Audit work in partnership with management to improve the control environment and assist in achieving objectives.

## **2. The Purpose of the Charter**

The purpose of this Charter is to set out the nature, objectives, outcomes and responsibility of the Internal Audit function.

## **3. Definition of Internal Audit**

The PSIAS definition of Internal Audit is:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

This definition goes beyond basic compliance by, where appropriate, evaluating and improving the effectiveness of risk, control and governance arrangements.

## **4. Accountability and Reporting Lines**

Internal Audit will report to the Audit Committee

- Quarterly on each piece of work completed in the period, the opinion arising from that work and performance of internal audit ( achievement of the annual audit plan, issuing reports on time, completing work within time allocated, client satisfaction and quality assessment).
- Annually on the overall achievement and assessment of the Authority's internal audit work programme, including an opinion on the assurance arrangements.
- Annually on the overall risk environment and the overall planned work on assurance in the forthcoming year, plus any investigative and consultancy tasks. This will include an

assessment on the availability of resources, and any impact this may have on the ability to assess the control environment.

- As necessary on any matter impacting on the overall integrity of the Authority's control environment, where any significant risk or threat to the organisation identified through audit assurance work has not been adequately addressed by management, or on any operational matter that seriously impacts on the delivery or resourcing of the internal audit function.

Internal Audit reports to all levels of management, with reporting of detailed operational work usually being to Directors. All Directors and the Chief Executive receive the full Authority wide summary of activity.

Operationally Internal Audit report to the Chief Finance & Procurement Officer but has the right to communicate directly with the Chief Executive as necessary, for example in relation to audit work on activities for which the Chief Finance & Procurement is responsible and ultimately with the Chair of the Audit Committee as necessary.

## **5. Scope of Internal Audit**

Internal Audit's remit extends to the adequacy and effectiveness of the entire control environment of the Authority as encompassed in the Audit Strategy as approved by the Audit Committee. It involves the examination of all business processes to evaluate the adequacy, effectiveness and efficiency of control, governance and risk management arrangements. It will assess the quality of performance in carrying out assigned responsibilities to achieve the Authority's objectives.

## **6. Responsibilities and Objectives of Internal Audit**

The responsibilities and objectives of Internal Audit are as follows:

- i. To provide soundly based assurances to management on the adequacy and effectiveness of their internal control, risk and governance arrangements, including; ethics, information management and technology.
- ii. To review, appraise and report on the extent to which the assets and interests of the Authority are accounted for and safeguarded from loss.
- iii. To review, appraise and report on the suitability and reliability of financial and other management data and information.
- iv. To assess the adequacy and effectiveness of the Authority's procurement, contract and partnership arrangements.
- v. To assess the corporate risk management processes.
- vi. To evaluate the risk of fraud and how it is managed and controlled. To provide corporate fraud and irregularity prevention, detection and investigation services in accordance with the Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy.
- vii. To reach conclusions about the effectiveness of the Authority's control environment, and to recommend improvements to management.
- viii. To contribute to assurances in relation to the robustness and reliability of internal controls and governance to support the Annual Governance Statement.
- ix. To support the achievement of efficiency, value for money and effective change management.

- x. To provide advisory and consultancy services intended to add value and improve value for money, governance, risk management and control processes.
- xi. To provide advice in respect of the development of new or significant changes to existing programmes and processes including the design of appropriate controls. This is usually through membership of groups, boards or working parties as well as direct contact with officers within directorates.
- xii. To support effective procurement.
- xiii. To support activities of the Audit Committee to discharge its responsibilities.
- xiv. To support the Chief Finance & Procurement (s151) Officer and all senior management in meeting their corporate responsibilities.
- xv. To monitor the implementation of agreed recommendations.
- xvi. To plan, manage and operate the internal audit function in an efficient and effective manner.

## **7. Organisational Independence of Internal Audit**

An effective Internal Audit function must be independent, objective and unbiased. To ensure this, Internal Audit will operate within a framework that allows:-

- Unrestricted access to all of the Authority's
  - + employees
  - + premises and assets
  - + records, information and data (in all forms)
  - + contractors and partners
 and to the Authority's External Audit provider.
- As the Head of Audit & Risk, Kirklees Council has direct operational responsibility for the Insurance function and input into certain procurement functions, one of the Audit Managers will assume the lead for internal audit for the Authority and report directly to the Chief Finance & Procurement Officer. This arrangement helps maintain independence and avoid any conflicts of interest. With the exception of these activities, the Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in processing functions or business activities.
- As an outside provider, Internal Audit has the advantage of total segregation from line operations, so has no responsibility for developing or implementing procedures or systems and does not prepare records or engages in processing functions or business activities. If staff move from the Authority to Internal Audit they will not be involved in the audit of any system or process for which they had previous operational responsibility for a period of two years
- Audit responsibilities are periodically rotated to avoid over-familiarity and complacency and also to provide for service continuity and resilience.

## **8. Ethical Standards**

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined, working with honesty, diligence and responsibility. They must at all times observe the law and respect and contribute to the legitimate and ethical objectives of the Authority.

## Objectivity:

Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by:

- i. taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment;
- ii. declaring any real or perceived interests on an annual basis, or at any time that they recognise any impairment to the objectivity.
- iii. accepting anything that may impair or be presumed to impair their professional judgement such as gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties.
- iv. disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review;
- v. not using information obtained during the course of duties for personal gain and;
- vi. complying with the Bribery Act 2010

## Confidentiality:

Internal Auditors must;

- i. act prudently when using information acquired in the course of their duties and protecting that information and;
- ii. not use information (derived or obtained through their official role) for any personal gain.

## Integrity:

In the conduct of audit work, Internal Audit staff will:

- i. comply with relevant professional standards of conduct and perform their work with honesty, diligence and responsibility

## Competency:

Internal Auditors are expected to be competent in their role by:

- i. possessing the knowledge, skills and technical proficiency relevant to the performance of their duties;
- ii. being skilled in dealing with people and communicating audit, risk management and related issues effectively;
- iii. maintaining their technical competence through a programme of continuous professional development;
- iv. exercising due professional care in performing their duties and;
- v. complying with all requirements of the PSIAS.

## **9. Relationships**

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort. Periodic meetings and contact between internal and external audit are held to discuss matters of mutual interest. External Audit has full and free access to all internal audit plans, working papers and reports.

Where appropriate the Internal Audit function will obtain assurance from other internal and external review agencies that offer opinions or appropriate analysis of the Authority's functions, or can otherwise contribute to the understanding of the overall risk profile and assurance environment.

The existence of Internal Audit does not diminish the responsibility of management to establish and maintain systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

## **10. Arrangements for Anti-Fraud and Anti-Corruption Work**

The Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy and other supporting fraud related policies set out the Authority's approach. The Policy requires the Chief Finance & Procurement Officer to be notified of all suspected or detected fraud, corruption, impropriety or other irregularity, in order to inform the annual internal audit opinion and the risk-based plan.

Internal Audit's role in respect of fraud-related work is as follows:

- i. Internal Audit advises the Chief Finance & Procurement Officer about the Corporate Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy, and provides guidance for managers and Members;
- ii. To co-ordinate the Authority's response to the mandatory National Fraud Initiative (NFI) exercise;
- iii. To contribute to the corporate counter fraud arrangements, and;
- iv. To assume a lead role in the investigation of certain alleged irregularities. In some cases whistleblowing or outcomes from routine work will lead to an initial investigation, outcomes of which will be discussed with management, and a way forward agreed involving an Internal Audit lead investigation. In other instances irregularities are investigated by management, with support from Internal Audit.

## **11. Authority of Internal Audit**

The scope of Internal Audit allows for unrestricted coverage of all the Authority's activities and unrestricted access to all functions, records, data, personnel, premises and assets of the Authority.

Internal Audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. All internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

## **12. Appropriate Resourcing of Internal Audit**

At least annually, Internal Audit will submit to the Audit Committee an Internal Audit plan for review and approval. The plan will consist of a schedule of planned assurance and consultancy work (including some contingency) which will establish resource requirements for the next financial year. This will be balanced between resource requirement and capacity. The standard requires the Head of Audit to advise the Audit Committee if the amount of resources available compromises the ability to offer appropriate levels of assurance.

The internal audit plan is based on a risk based assessment. The current Audit Strategy is to ensure that assurance coverage concentrates on those areas of highest risk in terms of potential exposure or likelihood of failure, covering both financial and other business risks and controls.

Any material variations from the approved Internal Audit plan are reported to the Audit Committee.

## **13. Assurances Provided to Outside Parties**

Internal Audit also undertakes work for Kirklees Council and Kirklees Neighbourhood Housing Ltd, the Authority's housing provider, a wholly owned subsidiary of the Council. It also provides assurance work for Kirklees Active Leisure (a charitable trust that is Kirklees Council's leisure centre operator partner). Internal Audit provide assurances (where requested) about the bona fide of transactions and claims as required by government departments. Internal audit would if requested provide assurance to other partner public sector bodies as appropriate.

## **14. Assurances Obtained from Outside Parties**

Internal Audit will obtain assurances from third parties where this is an appropriate form of assurance related to activity carried out on behalf of the Authority.

## **15 Assessment of Internal Audit**

Annually the Head of Internal Audit will conduct a self-assessment of ongoing compliance with the PSIAS which will be validated by the Chief Finance & Procurement Officer and reported to the Audit Committee.

At least every five years the Authority will conduct an external assessment of its internal audit compliance with PSIAS, the outcome of which will be reported to the Audit Committee, together with an Action Plan as necessary to address any issues arising. The Audit Committee will determine the date of the first assessment in due course as part of the review of this Charter.

## **16 Review**

This Charter will be reviewed at least annually by the Audit Committee to ensure it remains relevant to the corporate objectives of the Authority and the operational needs of the Brigade.

## **Appendix 1.**

### **Definitions alignment to the Public Sector Internal Audit Standards.**

For the purposes of Internal Audit activity, the term;

- 'board' refers to the Audit Committee.
- 'senior management' refers to the Chief Executive, Directors and the Chief Finance & Procurement Officer.

The PSIAS refer to the officer responsible for the Internal Audit function as the Chief Audit Executive. This role is undertaken by an Audit Manager, Kirklees Council.