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**Report to:** Governance and Audit Committee

**Date:** 24 July 2023

**Subject:** Review of Internal Control and the Effectiveness of Internal Audit

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

## 1. Purpose of this Report

- 1.1 To inform the Committee of the outcome of a review of internal control and the effectiveness of internal audit.

## 2. Information

- 2.1. There is a requirement under the Accounts and Audit (England) Regulations 2015 that ‘The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.....The findings...must be considered....by the members of the body meeting as a whole.’ There is a further requirement that ‘A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review...must be considered, as part of the consideration of the system of internal control ... by the committee or body...’ As a Combined Authority the appropriate body to consider these reviews is the Governance and Audit Committee.
- 2.2 The elements of the system of internal control are set out in the Corporate Governance Code and Framework, approved by the Combined Authority at its last annual meeting. The Corporate Governance Code and Framework uses the seven principles as recommended by the Framework. The Code is further reviewed and updated regularly and approved at the annual meeting of the Combined Authority. A number of revisions were made to the current version and approved at the June meeting of the Combined Authority. At the same

time It was acknowledged, in line with previous discussions with this Committee, that a more in depth review of the Code would be undertaken over the summer/autumn to ensure that recent and continuing organisational changes have been properly captured and reflected in the Code. A separate item on this agenda sets out the plan for this work.

- 2.3 The review of the system of internal control is in effect set out in the Annual Governance Statement (AGS) which is required to be included in the annual accounts. This sets out the governance framework in place during the year and is in accordance with the guidance set out by CIPFA/SOLACE. At this point the AGS is still in development but is expected to be a positive review of the arrangements in place during the preceding year. It is also informed by the work undertaken by internal audit in the year and their overall conclusion in their Internal Audit Annual Report which is:

*From the work undertaken during the financial year 2022/23 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the effectiveness of the Combined Authority's framework of control, governance and risk management is adequate.*

The full report from the Head of Internal Audit is included under agenda item 7. The AGS for the year to 31 March 2023 will be included within the 2022/23 annual accounts which will shortly be published in draft and will be brought to the next meeting of this Committee for early consideration ahead of audit work.

- 2.4 The Director, Finance and Commercial Services has undertaken a review of internal audit, considering her knowledge of the team and its work and the information in the Internal Audit annual report which sets out the work undertaken. Additionally the information available from the independent external quality review undertaken four years ago is also still relevant, with a requirement to undertake a further review next year. This assessed the Internal Audit function in relation to compliance with Public Sector Internal Auditing Standards (PSIAS. This concluded *"that West Yorkshire Combined Authority's internal audit activity generally conforms with the definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards"* which is the highest rating which can be given by this type of review. A number of recommendations for further improvement were made by the independent reviewer and these have been addressed by the Head of Internal Audit.

- 2.5 The overall conclusion is therefore that the internal audit function complies with the necessary standards and has worked to an adequate standard during the year. There is one remaining instance of non-compliance with the PSIAS which is the non-involvement of the Chair of the Governance and Audit Committee in staffing appraisals for the Head of Internal Audit and ways to address this will be considered in the coming year. It is also recognised that all services should strive for continuous improvement and the Head of Internal Audit will continue to keep under review how she and her team can deliver

internal audit in the most effective and value added way, and the resources required to enable her to do so.

### **3. Tackling the Climate Emergency Implications**

3.1. There are no climate emergency implications directly arising from this report.

### **4. Inclusive Growth Implications**

4.1. There are no inclusive growth implications directly arising from this report.

### **5. Equality and Diversity Implications**

5.1. The internal audit team consider equality and diversity implications in their audit assignments and have supported work in year on the assessment against the public sector equality duty.

### **6. Financial Implications**

6.1. There are no financial implications directly arising from this report.

### **7. Legal Implications**

7.1. There are no legal implications directly arising from this report.

### **8. Staffing Implications**

8.1. There are no staffing implications directly arising from this report.

### **9. External Consultees**

9.1. The previous external quality assessment has been considered as part of this item.

### **10. Recommendations**

10.1. That the Committee approve the outcome of the review of internal control and of the effectiveness of internal audit

### **11. Background Documents**

There are no background documents referenced in this report.

### **12. Appendices**

None.