

Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 24 July 2015.

Subject:

INTERNAL AUDIT ANNUAL REPORT 2014/15

Summary statement:

This report reviews the service Internal Audit has provided to the Council during the financial year 2014/15.

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Portfolio

Corporate

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Improvement Area:

Corporate

1. **SUMMARY**

- 1.1 The purpose of this report is to inform members of the Governance and Audit Committee (GAC) about the service Internal Audit has provided to the Council during the financial year 2014/15.

In particular Members are advised of the following:-

- Internal Audit completed 88% of the 2014/15 audit plan which, for the first time was below the target of 90%.
- Internal Audit's Client satisfaction identified that 97% of the respondents said that the "recommendations were useful and realistic" and believed that the audit was "of benefit to management."
- Over 99% of all high priority recommendations made from the work undertaken were accepted by management.

2. **BACKGROUND**

- 2.1 Internal Audit is part of the Department of Finance.
- 2.2 The Internal Audit Annual Report 2014/15 is contained within Appendix 1.

3. **OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION**

- 3.1 Not Applicable.

4. **OTHER CONSIDERATIONS**

- 4.1 There are no other considerations.

5. **OPTIONS**

- 5.1 Not applicable

6. **FINANCIAL AND RESOURCE APPRAISAL**

- 6.1 There are no direct financial consequences arising from this report. The work of Internal Audit adds value to the Council by providing management with an assessment on the effectiveness of internal control systems, making, where appropriate, recommendations that if implemented will reduce risk.

7. **RISK MANAGEMENT**

- 7.1 The work undertaken within Internal Audit is primarily concerned with examining risks within various systems of the Council and making recommendations to mitigate those risks. Consideration was given to the corporate risk register when

the Audit Plan for 2014/15 was drawn up and any issues on the risk register that relate to an individual audit are included within the scope of the assignment.

- 7.2 The key risks examined in our audits are discussed with management at the start of the audit and the action required from our recommendations is verified as implemented by Strategic Directors.

8. LEGAL APPRAISAL

- 8.1 The Accounts and Audit Regulations for 2011 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control'. Standard 2450 of the Public Sector Internal Audit Standards ("PSIAS") requires an annual report to be submitted which includes an opinion on the overall adequacy and effectiveness of the organisation's control environment. This requirement is met by the attached (Appendix 1) Internal Audit Annual Report for 2014/15.

- 8.2 The Accounts and Audit Regulations 2011 require the Council to undertake at least annually "a review of the effectiveness of its system of internal audit". The outcome of this review has been included in the Internal Audit Annual Report as well as being part of the evidence to support the Annual Governance Statement.

9. OTHER IMPLICATIONS

9.1 Equal Rights

Internal Audit seeks assurance that the Council fulfils its responsibilities in accordance with its statutory responsibilities and its own internal guidelines. When carrying out its work Internal Audit reviews the delivery of services to ensure that they are provided in accordance with the formal decision making process of the Council.

9.2 Sustainability Implications

When reviewing Council Business Internal Audit examines the sustainability of the activity and ensures that mechanisms are in place so that services are provided within the resources available

9.3 Greenhouse Gas Emissions Impacts

There are no impacts on Gas Emissions.

9.4 Community Safety Implications

There are no direct community safety implications.

9.5 Human Rights Act

There are no direct Human Rights Act implications.

9.6 Trade Union

There are no implications for the Trade Unions arising from the report.

9.7 **Ward Implications**

Internal Audit will undertake specific audits through the year which will ensure that the decisions of council are properly carried out.

10 **NOT FOR PUBLICATION DOCUMENTS**

10.1 None.

11. **RECOMMENDATIONS**

That the Committee recognises and supports the work carried out by Internal Audit during 2014/15.

12. **APPENDICES**

Appendix 1 – Internal Audit Annual Report 2014/15.

13. **BACKGROUND DOCUMENTS**

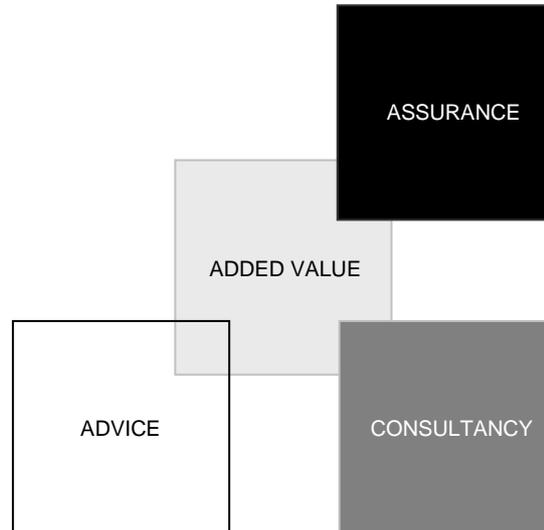
13.1 Accounts and Audit Regulations 2011.

13.2 Public Sector Internal Audit Standards 2013.

13.3 GAC report dated 4 April 2014 – Internal Audit Plan 2014/15.

13.4 GAC report dated 21 November 2014 Internal Audit Plan 2013/14 Monitoring Report as at 30 September 2014

INTERNAL AUDIT ANNUAL REPORT 2014/15



INTRODUCTION

The aim of this report is to provide information on the activities of Internal Audit during the financial year 2014/15 and to support the Council's Annual Governance Statement by providing an "Audit Opinion" on the overall adequacy and effectiveness of the Council's internal control environment.

It is not the intention of this report to attempt to give a detailed summary of each audit assignment but to provide a summary of the overall audit activity identifying, whenever appropriate, significant outcomes from the audit work.

The completion and presentation of the Annual Report to Governance and Audit Committee has been completed under the requirements of the Public Sector Internal Audit Standards (PSIAS).

Mark St Romaine

Head of Internal Audit and Insurance

July 2015

Circulation:-

Members
Stuart McKinnon Evans
Mark Kirkham
All Staff

Governance & Audit Committee
Director of Finance
Director and Engagement Lead, Mazars
Internal Audit

1 INTERNAL AUDIT'S RESPONSIBILITIES AND RELATIONSHIPS

1.1 Governance and Audit Committee (GAC)

The Member responsibility for Internal Audit rests primarily with the GAC.

During the year the following reports were presented to Committee:-

- Internal Audit Annual Report 2013/14
- Internal Audit Plan 2014/15
- Internal Audit Plan 2014/15 Monitoring Report as at 30 September 2014.

The Committee strengthens the Council's Corporate Governance arrangements as well as bringing together the review agencies of both Internal and External Audit to one Member forum.

1.2 Staffing & Resources

During 2013/14 staff numbers in Internal Audit further reduced from 14 officers to 10 (one Audit Manager and three Senior Auditors) which equates to a reduction over the year from 13.16 FTEs to 8.96 FTEs.

From September 2014 the Head of Internal Audit also commenced as the Head of Internal Audit at Wakefield in support of the joint working arrangement spending 40% of his time at that authority.

One member of staff also continued to give 50% of his time to provide support to the Insurance function.

1.3 External Audit

In November 2012 Mazars formerly commenced its role as the Council's External Auditors. Work has continued between Internal and External Audit to establish an effective working relationship and develop a framework for co-operation in the planning, conduct and reporting of work.

The 2014-15 Internal Audit Plan was shared with External Audit as were a number of Internal Audit Reports. Whilst no formal review of Internal Audit by External Audit has taken place, External Audit has no concerns about Internal Audit from the work that has been presented to them.

1.4 Public Sector Internal Audit Standards (PSIAS)

On 1st April 2013 the Council was required to comply with the Public Sector Internal Audit Standards (PSIAS). In April 2014 Governance and Audit Committee approved the Council's Internal Audit Charter. The Internal Audit Charter details the purpose, authority and responsibility of Internal Audit with the supporting code of ethics. It details how Internal Audit activity should be completed and how the service should be managed. It links Internal Audit activity with risk management. It also determines reporting arrangements, the management of consultancy engagements and the quality assessment process.

1.5 Joint Working

Due to pressures on resources and the need to maintain a sustainable service, the Internal Audit sections of Bradford and Wakefield have been looking to deliver

efficiencies through joint working. On September 1st 2014 a Service Level Agreement was approved between the two Councils to share a Head of Internal Audit. The SLA also agreed that a business case would be prepared for December 2015 to look at the future options for joint service delivery. Work has been ongoing between the two Services which has seen the sharing of good practice, joint training and the adoption of similar audit planning processes.

2. SERVICE DELIVERY

2.1 Audit Resources and Coverage

The original audit plan for 2014/15 was approved by GAC on 4 April 2014, and was based on 2,567 days of audit resources. The Internal Audit Monitoring Report presented to GAC on 21 November 2014 noted that there was expected to be a reduction of 191 days audit resources for the year against those contained in the original plan. In fact the reduction for the year totalled 290 days which is an in year reduction of 11% against the plan.

The audit plan was also monitored by assignments completed during the year. Completion of 90% or more of the plan is a positive indicator of the effectiveness of Internal Audit. In 2014/15, for the first time, Internal Audit failed to achieve the 90% target and was only able to complete 88% of the original plan. However, this outturn is higher than the 80-85% forecast in the half year Monitoring Report despite the further reduction in resources which took place in the second half of the year.

2.2 Reports Issued and Control Environment

All Internal Audit assignments result in an Audit Report which identifies the audit coverage, findings from the audit, risks arising from identified control weaknesses and prioritised audit recommendations. In 2014/15 a total of 150 reports were issued which recorded that the percentage of controls satisfied was unchanged from 2013/14 at 72%. This compares with a five year average of 74% of controls satisfied. As in 2013/14 the service continued to focus on and require responses only in relation to high priority recommendations. Over 99% of these recommendations were accepted by management.

Chart One overleaf, shows the total number of audits by type and paragraphs 2.3 onwards explain in more detail the audit coverage and some of the issues arising from the work undertaken during the year.

Chart One: Showing the Breakdown of Total Reports Produced in 2013/14 and 2014/15 by Audit Type

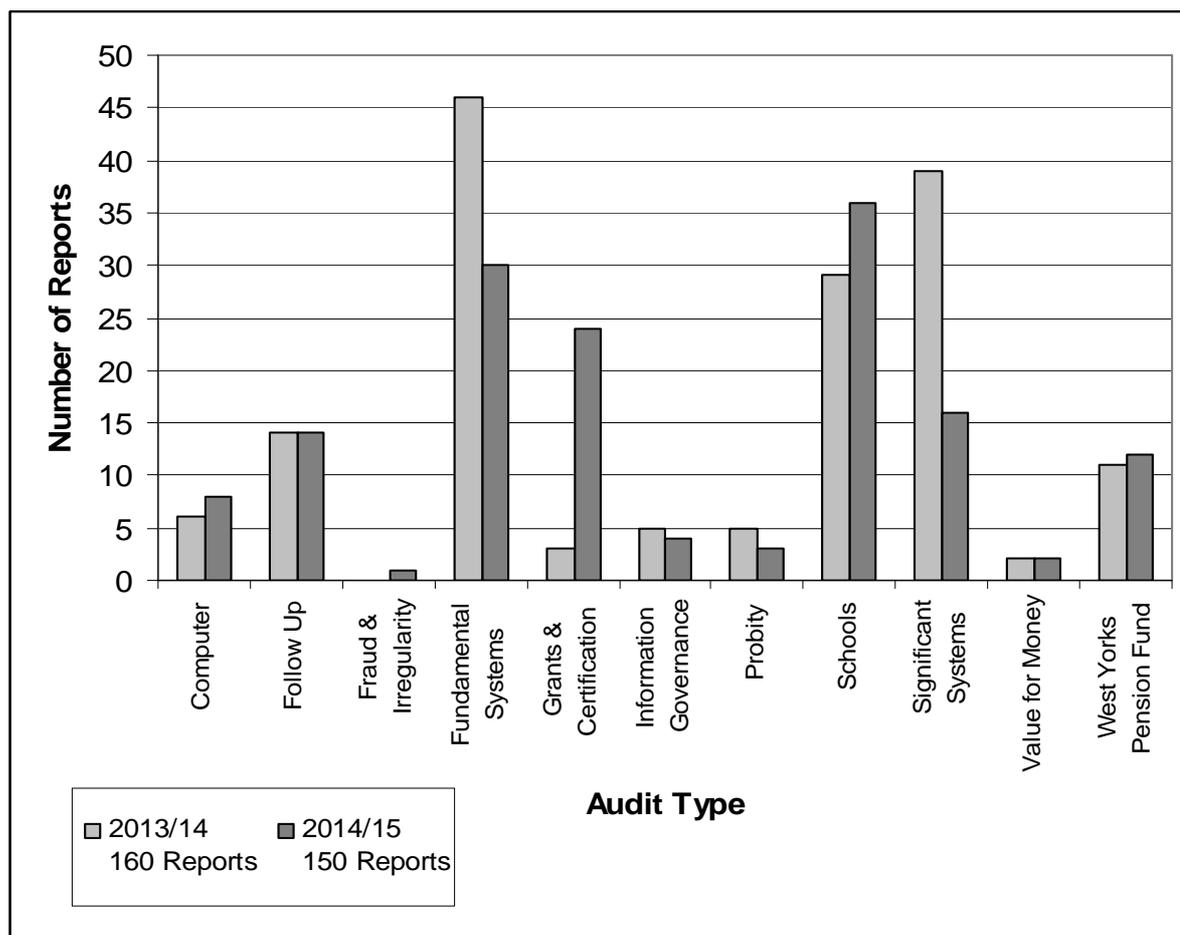
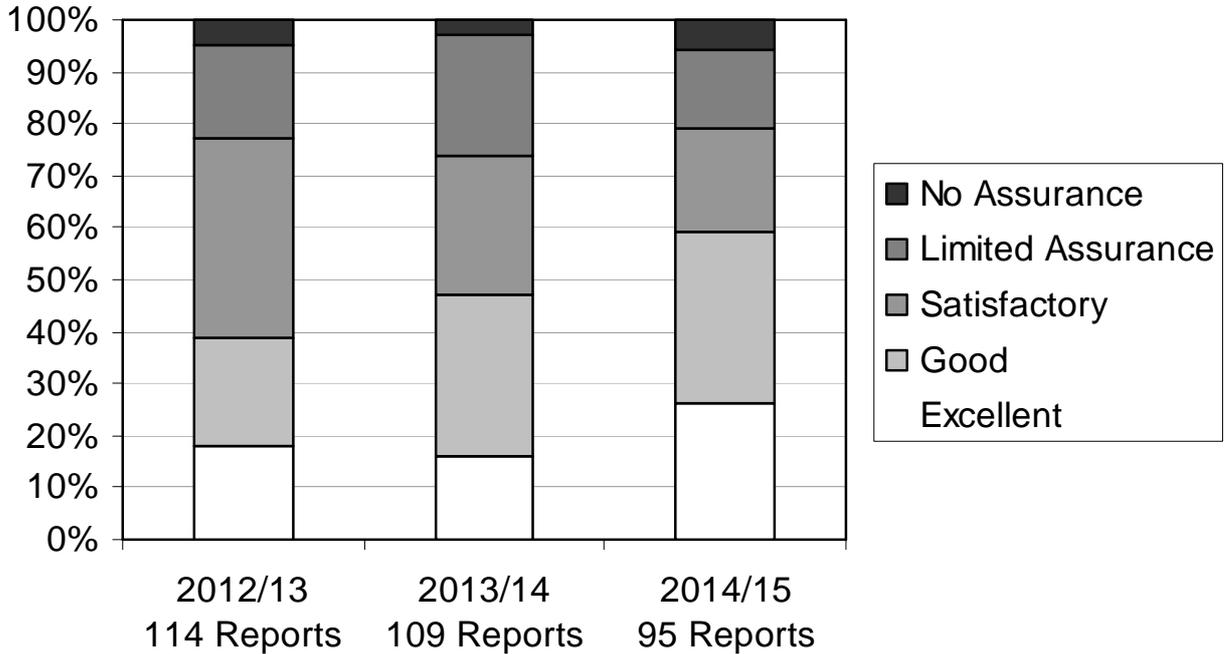


Chart Two, overleaf, shows that, from the evaluation of risks and controls in 2014/15, 59% of the systems examined had either an ‘excellent’ or ‘good’ audit opinion and 20% were classified as ‘satisfactory’ indicating that the overall control of risk within the Council remains adequate. A total of 15% of reports had a ‘limited assurance’ audit opinion and 6% were categorised as ‘no assurance’. As can be seen from the chart the proportion of reports with less than satisfactory opinions is about the same as it was in 2012/13, however the proportion of audits with good or excellent opinions has continued to rise. This may be due to the continuance of annual assurance audits which focus on a small number of key controls that have been consistently applied year on year and also to the increase in grant audits, the majority of which gave excellent opinions.

Chart Two: Breakdown of Audit Opinions 1 April 2012 to 31 March 2015



The analysis above relates to those reports with opinions. Opinions are derived from a standard analysis of the level of control satisfaction and number of high priority recommendations within a report. Where reports are produced that do not relate to the planned evaluation of risks and controls, for example in response to requests for advice on specific matters, or in response to known control failures there is often no opinion applied to the report. In 2014/15 over one third of reports issued had no opinion but these contained over 40% of the High Priority recommendations made during the year. Going forward, a methodology for applying a more subjective opinion to reports will be applied wherever possible in order to minimise the number of reports without an opinion and provide a fuller analysis of the control environment.

2.3 Fundamental Systems/ Assurance

Fundamental financial systems are those that are material to the Council and have a significant impact on the Council's internal control systems and the Council's accounts. The review of these systems provides assurance relating to the main systems operating within the Council and remains a significant part of the audit plan. In 2014/15 our work resulted in 30 reports being issued on fundamental systems. Over half of these resulted in opinions of 'Good' or 'Excellent', and within Benefits, Council Tax & NDR and Ordering & Payments all risks examined were appropriately controlled. However in a number of areas appropriate recommendations were made to strengthen the control environment by:

a) Accounts Receivable

Ensuring that debt write offs are reviewed and authorised minimising the risk of inappropriate write offs.

b) Capital

Making improvements to ensure that capital scheme costs are transparent and accurate.

c) Cash & Banking

Ensuring that there are sufficient numbers of trained staff to make certain that key bank reconciliations can always be carried out in a timely manner.

d) Payroll / Human Resources

Reinforcing management responsibilities for ensuring that car mileage claims are correct and accurately recorded.

Retaining documentation to support the creation of new starters' records so reducing the risk of erroneous or fictitious records.

Ensuring that high level annual controls to promote the accuracy of payroll data are completed.

Improving information relating to payment and VAT treatment of expenses to reduce the incidence of errors in coding and the rate of payment.

2.4 Audit Grant and Certification Work

Certain grants received by the Council require an Internal Audit certification to confirm that the expenditure was made in accordance with the Grant Determination Letter. The number of grants requiring Audit certification has seen an increase. Internal Audit certified 2 grant claims during 2013/14: In 2014/15 this rose to 9 grants against which 24 reports were issued. Six Highways related Grants, the Local Authority Bus Subsidy Grant, and the Adoption Reform Grant all received Excellent Opinions. Testing at a sample of schools highlighted that the Primary PE and Sports Grant had been appropriately spent but that a significant number of schools were failing to adequately comply with the grant conditions relating to publishing details of the grant expenditure and its impact and an advisory letter was sent to all authority primary schools as a result of this.

2.5 Significant Systems

Internal Audit produced 16 reports relating to significant systems of the Council during 2014/15. Significant systems coverage is varied and unique in some cases, and can often result from concerns raised by management.

Examples of the work carried out on significant systems are shown below:

The audit of Pavilion Gardens' compensation payments, which were made due to the installation of inefficient boilers that lead to exceptionally high energy bills, identified that some incorrect payments had been made and that the responsible contractor had not agreed to fully reimburse the Council.

Review of Building Maintenance, Commissioning and Delivery processes identified concerns regarding a proportion of operational properties not being included in the cyclical building condition surveys, some health & safety inspections not being undertaken on time, and the budget monitoring data used not being reconciled to SAP.

A review of the system in place for collecting penalty charges for unauthorised absences from school made recommendations to ensure that the charges were monitored and that payment and recovery processes were consistently and fairly applied.

An audit of the Taxi Licensing service found that there was good control of risks overall but that there was a lack of evidence that some of the management controls stated to be in place were in fact occurring.

In December 2014, Internal Audit independently reviewed and valued the amount of Council resources that had been used by a member for election purposes. This was required as two differing values had previously been reported. Internal Audit valued the total cost of Council resources used, which was more than the value that had previously been invoiced and paid. This was reported to senior management together with a recommendation that in the unlikely event that this matter should arise again, a consensus should be reached on the Council resources, and their cost, which have been used, so that the correct amount can be invoiced.

2.6 Value Added

Internal Audit, where possible, adds value in the work that it undertakes. The following is a sample of instances during 2014/15 where value has been added.

| Audit Work | Brief Explanation of Savings Identified or Value Added |
|---|--|
| Effectiveness of Debt Recovery | At the 2013/14 year end £150k of miscellaneous revenues debts relating to one Funeral Director, some more than two years old were identified. These debts were not transparent to service management, who were subsequently notified and the debts recovered. With Internal Audit input debt recovery processes were reviewed and streamlined so that overdue debts could not build up without management's knowledge in future. |
| Risk Management | A review of Risk Management was carried out across the Council covering the effectiveness of the corporate management of risk and also testing a sample of risks included in the Corporate Risk Register. Implementation of the recommendations arising from the audit will ensure that the risk management strategy is reviewed and updated and that CMT are evaluating and engaging with risk management on a regular basis. To facilitate it was recommended that refresher training would be provided by the Risk Management Coordinator to CMT and DMT's. |
| Resource Allocation System for Adults Social Care | Audit provided a consultancy role to staff developing the system to help ensure control expectations were not inadvertently missed during the design and build stage of the programme. The work identified areas requiring further management attention to help ensure a robust, compliant and sustainable system of resource allocation is developed and implemented. |

| | |
|--|--|
| Use of Petty Cash & Cash Advances | The audit review identified weaknesses within the procedures in place at that time which assisted the service in their own business process review of cash and security functions. |
| SFVS Training | Internal Audit developed a training course covering all the principles of the Schools Financial Value Standard. This was offered to all schools and take up was good with 45 of the Council's schools being represented. An improvement was evident in the quality of the SFVS returns that were provided by schools who had attended the training. Feedback from the training was extremely positive. Examples of comments in the feedback forms were "Very good and informative", "Excellent – made me think", "Very definitely good VFM". |
| Bradford City Centre Growth Scheme Grant | Audit carried out a review of documentation provided with a grant claim which supported the department's decision not to pay the claimant. The detailed findings of the audit were shared with Corporate Fraud Unit staff who are seeking to recover previous grant paid to the claimant. |
| Sickness Monitoring | Internal Audit was commissioned by the Chief Executive and Interim Head of Human Resources to carry out a comprehensive review of sickness management procedures. The report highlighted areas of best practice and made recommendations to streamline and re-enforce application of sickness management procedures which have contributed to reducing the number of days lost through sickness across the council. |

2.7 Follow Up Audits

Internal Audit follows up its audit work as described below:

a) Follow Up Returns from Strategic Directors

During 2014/15 a follow up exercise with the Strategic Directors was undertaken for 121 reports issued up to 31.03.14, which contained High Priority recommendations that had not previously been confirmed as actioned. The outcome was reported to GAC on 21 November 2014. The Strategic Directors' returns indicate that there has been a fall in the level of implementation with 71% of reports and 80% of recommendations being fully actioned compared with 82% of reports and 87% of recommendations in 2013-14.

b) Individual Follow Up Audits Undertaken by Internal Audit

During the year, 11 follow up audits were completed by Internal Audit to determine the actual level of implementation of agreed recommendations. The outcome of the 11 follow up audits was reported to GAC on the 21 November 2014.

In summary, of the 39 high priority recommendations followed up in 2014/15 28, or 72% could be confirmed as fully implemented by Internal Audit. This is an increase on the follow up results from 2013/14 which found that only 61% had been implemented; however there still remains a gap between the results of the

follow up exercise and the 87% implementation rate reported by Strategic Directors.

Internal Audit will continue to perform follow up audits in 2015/16 and report the outcome to GAC.

c) Follow Up of Audits reported in the Opinion of the 2013/14 Annual Report

The Audit Opinion of the Internal Audit Annual Report 2013/14 listed a number of audits which identified significant risk and control weaknesses. Four of these required further follow up to ensure implementation of agreed recommendations. Updates for three of these, where satisfactory progress is now being made, are given below. The fourth area is again referred to within the Opinion for 2014/15.

Utilities Payments - Action has been taken to address all outstanding high priority recommendations. The most recent follow up identified minor areas for further improvement, including within budget monitoring procedures, however control of the system is now satisfactory.

S117 Mental Health Aftercare – Of the seven recommendations made in the previous audit, it was concluded that three had been fully addressed and one was no longer applicable. Progress has been made against the remaining three recommendations however these are only partially implemented. Further recommendations have been made to ensure that these remaining recommendations are fully addressed by ensuring that there are clear agreements relating to cost and information sharing and that data on s117 clients is consistent between the Council and the Health Service.

Miscellaneous Rents - A further follow up audit is in progress. Initial audit findings show that the required technical system changes which were preventing the system being used to its full potential have now been implemented and consequently data extracts from the system show it is being used more effectively. It is likely that some additional recommendations will be made regarding the awarding of rental subsidies to ensure that the Council is maximising the potential income due from its asset base.

2.8 Schools

a) School Audits

Reports were issued to ten schools, including one Pupil Referral Unit, which were visited as part of the 2014/15 plan of individual school audits. Schools are included in the audit plan based on their risk score and by default these schools tend to be those which are already experiencing issues and would benefit most from audit input. This is evident in the results of the audits which concluded that six schools (including the PRU) provided Limited Assurance, and four were Satisfactory. All the audit recommendations raised in the ensuing audit reports were accepted.

The audit plan also included themed audits which focus on areas of interest or concern and are usually carried out at a number of schools. This year the themes chosen were:

- Independent Payroll Providers: carried out at two schools, one resulting in a Good audit opinion and one Satisfactory.

- High Value Procurement: completed at two schools, both opinions were Limited Assurance, however all resulting recommendations were agreed.
- Year End Closedown procedures: audits took place at two schools both resulted in Good opinions.
- Safeguarding and Safer Recruitment: undertaken at two schools, one resulting in a Good audit opinion, one Limited Assurance with all recommendations agreed.
- Review of 6th form funding: undertaken at three schools, all resulted in Good audit opinions.

A further review of Online Banking procedures was undertaken at four schools to provide assurance that the recently implemented system was working well and controls were operating effectively. This resulted in three audit opinions that were Good and one which was Satisfactory.

A specific piece of audit work was also carried out at a school to address concerns relating to Income and Pupil Premium funding in response to concerns raised by the incoming Headteacher. All recommendations in the resulting report were agreed.

Internal Audit also published a Newsletter to all schools via Bradford Schools Online giving advice and assistance on topical audit, insurance and information governance issues in autumn 2014.

b) Schools Financial Value Standard (SFVS)

All maintained schools, excluding those falling within listed exceptions, are required to complete and submit the SFVS self assessment form by the 31 March each year. In turn the Council submits an Assurance Statement signed by the Director of Finance to the Department for Education (DfE) before the 31st May. This return details the number of returns received by schools and the number who have not complied.

The SFVS Assurance Statement for 31 March 2014 was forwarded to the DfE on 28th May 2014, this reported that 153 of the Council's 176 schools had made a return, of the returns made those indicating full compliance with the standard was 48%.

A further requirement of the SFVS is that returns are taken into consideration when setting the audit plan. This was achieved in 2014/15 by carrying out eight SFVS audits at individual schools. The schools selected were from a varying quality of returns received in the prior year. The results of the audits concluded that two were Good, one returned a Limited Assurance opinion and five returned No Assurance opinions. A sample of five of the eight schools concerned were assessed to see if all recommendations raised in the ensuing audit reports had been addressed prior to the schools submitting their return for 2015. In conclusion, four of the five had addressed the recommendations from the SFVS audit and the quality of their return had improved.

For the first time in 2015 an SFVS training session was developed by Internal Audit and offered to all schools to assist them in completing the SFVS process. Take up was good and 45 individual schools were represented at the training and feedback was extremely positive. It was pleasing to note that an improvement was evident in the standard of SFVS returns provided by schools who had attended the training.

2.9 Computer Audit

Computer audit work undertaken in 2014/15 included the following:

A review of the ICT change management processes providing confirmation that expedited requests, which incur additional cost to the Council, were not carried out without appropriate evidence of need.

Confirming adequacy of the Worldpay Payments income system adopted by the Bailiff's section, prior to expanding its use across other parts of the council.

Confirming that access to the council's Northgate property database by staff who do not work in Revenues and Benefits is properly controlled.

Making recommendations which will ensure that the council is operating in accordance with Central Government requirements when using the Department for Work and Pensions' information systems

Confirming to management that the move to online reporting of organisation changes would deliver the anticipated improvements.

Internal audit also carried out an update on work carried out in 2012 which identified that the council was unaware of all of the applications it had and was potentially paying Serco for support of unknown applications. The update found that there are no longer any unknown application and that the Council has a baseline position with regard to application provision and support which will allow it to be aware of and proactively manage the multitude and diversity of its data information stores in a much more efficient and effective way.

2.10 Information Assurance

Prior to 2014/15 Internal Audit supported the Assistant Director Information Assurance in their role and monthly meetings were held to assist in this process. Following the departure of the Assistant Director, line management of the Information Governance function has been taken over by the Head of Internal Audit and the remit of that section has been expanded to include the assurance functions previously provided by Internal Audit staff. Consequently fewer audits were carried out in this area during 2014/15, however a number of assignments did take place:

Following the theft of data at Morrisons supermarket and the reputational impact this had caused the organisation, a review of payroll data security at the Council was requested by senior management. This found satisfactory security of data within the Council but made a number of suggested actions to further minimise the risk of loss.

More significant concerns were highlighted in a review of data sharing arrangements which resulted in a Limited Assurance opinion. Recommendations were made to improve governance, policies and procedures relating to data sharing with multiple agencies to ensure that the council's information assets are appropriately safeguarded.

2.11 West Yorkshire Pension Fund (WYPF)

During 2014/15, Internal Audit carried out a variety of audits within WYPF. These included:

- **Local Government Scheme Contributions** – This looked at both the employer and employee contributions remitted by each employer on a monthly basis, and also income received in respect of early retirements and unfunded benefits. The control environment was largely as required. Recommendations were made to improve control over the raising of invoices for early retirement costs and unfunded benefit contributions and these have been implemented.
- **Transfers Out** – This was an audit of the risks to the process where individuals cease to be employed by an admitted body of the West Yorkshire Pension Fund and transfer their pension benefits into a new scheme. The control environment was largely as required with no significant recommendations arising.
- **Admission of New Bodies** – This audit covered the admission of new employer bodies to the West Yorkshire Pension Fund and the standard of control was found to be excellent.
- **Purchase of Additional Pension** – Since 1 April 2014, new additional pension requests have to be purchased through Additional Pension Contributions. The audit identified weaknesses in the procedures for receiving deductions and calculating pensions and made recommendations for improvement.
- **New Pensions and Lump Sums** – This audit examined the calculation of the annual pension and the lump sum following a member's decision to retire. The standard of control in this process was found to be excellent.
- **Foreign Equities** – These foreign investments are held under the custody of the HSBC, and the audit found the system to be well controlled.
- **Verification of Assets** – This audit ensures that the assets held by the West Yorkshire Pension Fund are as expected. The standard of control in place to achieve this was found to be excellent.
- **Treasury Management** – This audit reviewed the arrangements in place to ensure that surplus cash is invested in the most appropriate ways and found control of this process to be excellent.
- **Review of the West Yorkshire Pension Fund 2013/14 Accounts** – This work was carried out at the request of the Financial Controller with the aim of assisting the Financial Controller in ensuring the quality of the financial statements.

2.12 Changes to the 2014/15 Plan

During the financial year some of the audits in the original plan were not performed. As in previous years this was due to factors such as a delay in system implementation or the availability of service staff and in some cases work had been completed by another service or covered by an alternative audit. However in 2014/15 the significant unplanned reduction in resources resulted in insufficient capacity to complete all of the assignments in the original audit plan. To address this, scopes were redefined and audits prioritised which resulted in some of the lower risk audits falling out of the plan. Audits were also be completed that were

not in the original plan due to in year concerns from management or as a result of control weaknesses identified in other systems.

Details of the audits that were taken out of the audit plan for 2014/15, together with the reason why, are shown in Appendix A. The audits that were added during the year are also detailed.

2.13 Non Audit Work Performed

During the year Internal Audit has performed some non-audit work in relation to the co-ordination of the writing of the Annual Governance Statement. The Head of Internal Audit and Insurance has ongoing responsibilities for Insurance, Risk Management and Information Governance arrangements.

2.14 Internal Audit's Performance Indicators

a) Client Feedback

After each audit a client feedback questionnaire is issued for the auditee to obtain their views on the different aspects of the audit they have received. Ninety seven percent of the feedback that we received from clients was positive.

As part of the feedback process the auditees are invited to give comments and below is a sample of some of the comments received:-

(The audit) stimulated debate and review of procedures.

The auditor dealt with all audit matters and school protocol professionally.

The report has assisted management in moving forward with NHS colleagues to implement the recommendations.

In this instance the service was excellent.

I am very happy with the results.

The audit was a good tool for improvement within the school.

(The auditor's) flexibility to meet and discuss outcomes and future planning was extremely useful for officers.

b) Timeliness of Reporting

The timeliness of issuing draft and final reports is important as it allows the audit clients the earliest opportunity to action report recommendations and forms part of Internal Audit's performance indicators. During the year 96% of reports were issued within three weeks of finishing on site, which exceeds the target of 80%, and 91% of final reports were issued within a week of agreement with management, which is in excess of the target of 90%.

c) Review of the Effectiveness of Internal Audit

A further requirement of the PSIAS is that there must be a quality assurance and improvement programme which includes both an internal and external assessment. The arrangements for an external assessment are yet to be agreed. The internal assessment is ongoing and has not currently identified any areas of concern.

There were two issues arising from the 2013/14 review which were addressed in 2014/15.

- (i) An audit review of risk management across the council was undertaken.
- (ii) The Internal Audit Plan for 2015/16 was supported by an analysis of key financial flows within the council and assurance mapping of the risks identified on the corporate risk register

3. ANNUAL INTERNAL AUDIT OPINION

3.1 Public Sector Internal Audit Standards (PSIAS)

Standard 2450 of the PSIAS requires Internal Audit to state within the Internal Audit Annual Report, the annual internal audit opinion which “must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control”. This is also used, as evidence, to support the “Annual Governance Statement.” The opinion is shown in 3.2 below.

3.2 Audit Opinion

From the work undertaken by Internal Audit throughout the year and after taking into consideration the work undertaken by Mazars, the overall internal control environment throughout the Council, with the exception of the concern relating to Continuous Health Care, appears to be adequate. No new significant areas of concern were identified during 2014/15, however, as stated, concerns remain in relation to Continuing Health Care. Internal Audit initially issued a report on Continuing Health Care in September 2012 which included ten high priority recommendations and resulted in an audit opinion of no assurance. This was reported to GAC in the 2013/14 Annual Report. In July 2014 a follow up audit report was issued which identified that, whilst some progress had been made in implementing the previously agreed recommendations, further action was still required for the full implementation of all the recommendations. The audit opinion remained at no assurance. Internal Audit intended to carry out further a follow up in the second half of 2014/15, however the relationships between the Council and the Health Service which are a key aspect of the weaknesses identified have been and continue to be subject to significant change. At the request of management it was agreed that rather than perform a further follow up of recommendations, which may now no longer apply, a full audit of the system will be carried out in 2015/16. However, until the results of this audit are known no assurance can be placed on the system.

Amendments to the Audit Plan

Below is a list of audits that were added or deleted from the 2014/15 Audit Plan over and above those that were reported in the Internal Audit Monitoring Report as at 21st November 2014. Where an audit was removed from the Plan a reason has been given as to why this was.

| Additional Unplanned Audit Work done in 2014/15 | Audits Removed from the 2014/15 Audit Plan. | Reason |
|--|--|--|
| Regional Growth Fund - Cona (UK) Ltd | Care Trust Contract | New system being implemented. Deferred to 15/16 Plan. |
| Register of Births, Deaths and Marriages Spoiled Certificates - Keighley | Troubled Families Claim 8 | Claim 8 didn't fall in 2014/15. Deferred to 15/16 Plan. |
| Unauthorised use of Council Resources | CAFM - Miscellaneous Rents Follow Up 2 | Waiting for Service to Confirm Implementation of Recommendations. Deferred to 15/16 Plan |
| SFVS Training preparation | Compliance with LGPS 2014 requirements | Deferred due to lack of resources, however an advisory paper prepared by Audit was shared with Payroll. |
| Peel Park Primary | Safer Recruitment - Disclosure and Barring Service (Council except Children's) | New system introduced early 2015. Deferred to 15/16 Plan. |
| | Bradford-I Transition Plan/Process/Active Contract Management | Deferred to 15/16 Plan as scope and objectives need confirming with Management. |
| | Cluster Funding Arrangements | Reprioritised by management. Consider for 16/17 Plan. |
| | Advising on remodelling of DSP | Audit no longer required. |
| | Early Years Formula Funding - Private, Voluntary and Independent Providers | Process changes likely. Review would be more appropriate after these. |
| | Compare Annual Assurance 14/15 | 13/14 Audit reported in 2015. No significant concerns in previous years. |
| | Supporting People - Assurance 14/15 | Department queried need as prior audits were all satisfactory. Removed to allow higher risk audits to proceed. |
| | SEN Data Flows | Following provision of Audit advice further review was not required. |
| | Taxi Procurement follow up | Deferred due to new system being implemented. |
| | ICT Asset Management | Removed. Duplicates IT Transition Audit. |