



# Doncaster Council

## **BRADFORD INTERNAL AUDIT SERVICE – COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

**Colin Earl, Head of Internal Audit  
Julie Lyon, Principal Auditor  
Doncaster Council**

**28 February 2018**



# Doncaster Council

## Report

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### **BRADFORD INTERNAL AUDIT SERVICE – COMPLIANCE WITH THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

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#### **CIRCULATION:**

Mark St Romaine, Head of Internal Audit, Insurance, Information Governance and Risk

Andrew Crookham, Assistant Director Finance and Procurement

Parveen Akhtar, Acting Strategic Director of Corporate Services

Ola Ajala, Financial Controller, West Yorkshire Pension Fund

Governance and Audit Committee

## **Bradford Internal Audit Service - Peer Review**

### **1. INTRODUCTION**

- 1.1 This report provides the Governance and Audit Committee, the Head of Internal Audit, Insurance, Risk and Information Governance (HoIA), Chief Finance Officer and other key stakeholders with details of the recent external assessment of Bradford Council's Internal Audit function against the UK Public Sector Internal Audit Standards (the Standards). The Standards require an external review of the Internal Audit function every five years, commencing April 2013.
- 1.2 The external assessment has been undertaken by the Head of Internal Audit from Doncaster Council.
- 1.3 This report has been discussed and agreed with the HoIA. The results of this external review will be reported to the Governance and Audit Committee on 22 March 2018.
- 1.4 The external assessment builds on the internal self-assessments of compliance which are reported to the Governance and Audit Committee in the HoIA's annual reports. The 2016/17 self-assessment referred to in the HoIA's 2016/17 annual report presented to the Committee on 27 June 2017 stated as follows:

#### ***“Review of the Effectiveness of Internal Audit***

*A further requirement of the PSIAS [the Standards] is that there must be a quality assurance and improvement programme which includes both an internal and external assessment. The internal assessment completed has not currently identified any areas of concern...”*

- 1.5 The updated current self-assessment completed as part of this peer review identified a small minority of areas where there was either partial or non-compliance with some specific elements of the Standards.
- 1.6 Bradford's Internal Audit Service also provides the Internal Audit function for the West Yorkshire Pension Fund.

### **2. SCOPE AND METHODOLOGY**

- 2.1 Internal Audit is a statutory obligation for local authorities. This section of the report identifies the statutory requirements, how this review complies with the statutory responsibilities and the organisations this review covers.

#### **Accounts and Audit Regulations 2015**

Under the Accounts and Audit Regulations 2015 5.—(1)

*“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”*

### **Public Sector Internal Audit Standards (the Standards)**

The Standards require the HoIA to produce an annual audit opinion that:

- Must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, and
- Must incorporate a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

- 2.2 The purpose of the review is to ensure that Internal Audit conforms to the Standards. This includes the requirements for a quality assurance and improvement programme which must include both internal and external assessments. The review was conducted in conformance with the Standards using a combination of enquiry, observation and sample testing techniques.
- 2.3 The review has been undertaken by Colin Earl (Head of Internal Audit, Doncaster Council), a qualified CIPFA Accountant with 30 years' service in internal and external audit and Julie Lyon (Principal Auditor, Doncaster Council), who is a qualified internal auditor (Institute of Internal Auditors).
- 2.4 The methodology for the external assessment was agreed by the West & South Yorkshire Heads of Internal Audit Group following the introduction of the Standards in April 2013, and includes an added value element of suggested areas for further development. The scope of the external assessment was subsequently agreed by Bradford Council's Governance and Audit Committee.
- 2.5 The external assessment required an independent desktop review of Internal Audit's own self-assessment against the Standards, structured interviews with key stakeholders of the service, a review of key documentation and a review of a representative sample of Internal Audit reports and files which were selected by the assessors. **Appendix A** provides a list of the interviewees along with details of the audit reports and documentation examined.

### **3. THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (the Standards)**

- 3.1 The objectives of the Standards are to:
- Define the nature of internal auditing 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 add 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 improvement planning.

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- 3.2 The Standards are made up of 4 elements. Internal audit services are expected to comply with each of the elements, which are:
- The Definition of Internal Auditing – Internal Audit should be independent and objective. It should adopt a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation.
  - The Code of Ethics - Internal Audit should have integrity, be objective and maintain confidentiality.
  - Attribute Standards - The attribute standards include assessing the purpose, authority and responsibility of Internal Audit, its organisational independence, professionalism and how it attains quality assurance.
  - Performance Standards - The performance standards include assessing the management of internal activity; the nature of work performed; engagement planning, performance and communication of results; monitoring progress of management actions to risks highlighted in audit work; and communication to senior management of any risks that are accepted that may not be appropriate for the Council.

This review considers Bradford's Internal Audit Service relative to each of these elements.

- 3.3 The review also provides an assessment of the Service's conformance with the Standards overall, using the following classifications stated in the Standards:

<b>Assurance Opinion</b>	<b>Definition</b>
<b>Generally Conforms</b>	Internal audit activity has a Charter, policies and processes that are judged to be in conformance with the Standards.
<b>Partially Conforms</b>	Deficiencies in practice are noted that are judged to deviate from the Standards but these did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
<b>Does not Conform</b>	Deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

### 4. OPINION AS TO CONFORMITY WITH THE STANDARDS

4.1 Our assessment of Bradford Internal Audit Service's conformance with the Standards is as follows:

Based on the findings arising from and assessments made in this review, we have concluded Bradford Council's Internal Audit Service **Partially Conforms** with the Standards.

Deficiencies in practice are noted that are judged to deviate from the Standards but these did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.

4.2 The main reasons for this assessment are:

- The service currently has a low level of resources, which restricts the programme of work it can perform.
- Only 46% of the mainstream Bradford Council block of the overall audit programme was complete at January 2018. It is noted that other blocks of the overall audit programme – i.e. Schools, Grants, Pension Fund were much further progressed and, when taking these into account, the progress in completing the overall audit programme was 62%.
- The HoIA has other responsibilities which account for 50% of his time. This impairs the amount of time he can spend on audit responsibilities and potentially affects overall audit objectivity and independence. Current planned safeguards and their application to preserve audit objectivity and independence are not reported annually as expected by the Standards.
- Some documentation needs updating and some reporting requirements are not met.
- The annual audit opinion given by the HoIA does not explicitly include a conclusion on risk management or governance arrangements, as required by the Standards. We were not clear how the construction of the 2017/18 audit plan would ensure sufficient audit work would be done on risk management and governance to enable an opinion to be given in these areas.

4.3 As this assessment is that the Service falls below a '*Generally Conforms*' assessment, an informal moderation process has been carried out involving consultation with two other heads of audit in the region. The moderation has confirmed the '*Partially Conforms*' assessment reached.

## **Bradford Internal Audit Service - Peer Review**

4.4 Assessments against the 4 elements making up the Standards are as follows:

### **Definition of Internal Auditing:**

The service largely meets the definition of internal auditing. However, this peer review highlights a significant level of non-audit responsibilities resting with the Head of Internal Audit and two other members of the audit team. Safeguards are not clearly reported to senior management or the Governance and Audit Committee.

### **Code of Ethics:**

We found Internal Audit abides with the Code of Ethics.

### **Attribute Standards:**

The service largely meets the requirements of the Attribute Standards. The Audit Charter is substantially fit for purpose but it does not reflect changes made to the Standards in 2016 and 2017. Improvement opportunities are identified relating to the approach to Quality Assurance and Improvement.

### **Performance Standards:**

Performance standards were not entirely met due to aspects relating to resources available to the service and compliance with reporting standards. There is an opportunity to refresh the risk assessment model when establishing the new (from 2018/19) three-year audit strategy.

## **5. FINDINGS AND CONCLUSIONS**

- 5.1 The work conducted by Bradford's Internal Audit Team is highly regarded by clients. Senior managers (mainly assistant directors) we met as part of this review felt they were able to influence the work carried out by the Internal Audit Team, both in terms of the jobs to be carried out and relating to the scope of individual jobs. This is positive because it helps ensure service priorities are considered for audit coverage.
- 5.2 The HoIA is appropriately qualified and has led the service for 5 years. Most of the audit staff have been in the service for many years and our review suggested they have sufficient and relevant expertise to carry out their roles.
- 5.3 With regard to the carrying out of audit work, senior managers unanimously commended the professional and supportive approach adopted by audit staff. Senior managers felt auditors provided sound and constructive advice. Auditors were also praised for their persistence in ensuring audit recommendations were implemented even, on occasions, in the face of resistance or inaction by service managers. Overall, senior managers felt the audit services they received represented good value for money. Our review suggested audit staff are a credit to the service.

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5.4 The Chair of the Governance and Audit Committee stated he respected the work done and advice provided by the HoIA.

5.5 Other positive aspects of the Service found during this review were:

- There are robust and effective audit follow-up processes that place the ownership for action on service management and provide for escalation ultimately to the Governance and Audit Committee when actions are not effectively implemented in a timely manner.
- There is a sound and effective working relationship with the West Yorkshire Pension Fund that enables the Fund to maximise the value received from the audit service. There are regular meetings between the lead auditor and Fund management that ensure the audit programme reflects key risk areas, and the work we saw was done to a good standard.
- Our review of a representative sample of 7 audit reports and supporting documentation showed reports accurately reflected the findings of the audit work and were succinct and well-written. Conclusions and audit opinions reached were consistent with the findings and relevant recommendations were made in respect of control weaknesses. Clear audit trails were evident between the audit working papers and the audit reports.

5.6 The factors preventing a “*Generally Conforms*” assessment are that:

### **Audit Resources**

- The service has notably limited resources and this will be exacerbated when an assistant manager leaves the service in the near future to take up a promotion gained elsewhere. There is an ongoing risk that the service could be unable to carry out sufficient work to enable the HoIA to give a full opinion required by the Standards. At the time of this review half of the audit programme achieved was made up of Grant, School and West Yorkshire Pension Fund audits, leaving fairly limited coverage of Bradford Council’s core systems and activities; only 46% of planned systems, IT and follow-up audit work had been delivered at the time of the review (late January 2018). It is noted that the HoIA has reported on the stretched audit resources in his recent monitoring reports to the Governance and Audit Committee (but not to senior management – see ‘Audit Reporting’ paragraph below).
- The HoIA has some concerns about succession planning and it is clear that any (further) loss of existing staff, who have substantial experience, would be a detriment to the service. These concerns were acknowledged by the recently departed Director of Corporate Services.
- Until 2017, technical IT audit work undertaken at Bradford Council had been carried out by a Wakefield IT Auditor, facilitated under the joint audit working agreement between Bradford and Wakefield Councils.

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Following Wakefield Council's decision to end the joint working arrangement, Bradford Internal Audit will need to ensure it can either retain the services of the Wakefield IT Auditor or establish some other technical IT audit provision, otherwise this could become a deficiency, particularly in view of the increasing development of IT & digital systems by the Council.

- The Standards require that up to date job descriptions should exist that reflect the roles and responsibilities of individuals. The current Job descriptions for some posts were not up to date; they refer to the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit, which was replaced by the current Audit Standards in 2013.

### **Audit Independence**

- The HoIA also has responsibility for Insurance, Risk Management and Information Governance. While the Standards and supporting CIPFA guidance<sup>1</sup> state heads of audit should retain full operational independence, they do recognise that, in reality, heads of audit might be given additional (non-audit) responsibilities. There should be appropriate safeguards put in place to protect audit objectivity and independence where the head of audit has additional roles, and the additional responsibilities should not disproportionately compromise the audit role. In Bradford's case, the HoIA is currently spending around 50% of his time on non-audit activities. He is leading on the Council's preparations for the General Data Protection Regulations (GDPR), which are potentially profound and far-reaching. While it is ultimately a matter for the Council, in our view the current position creates a potential compromise of the Standards. In particular, the HoIA's role in relation to information governance / GDPR creates a significant conflict of interest (as an aside, it also raises questions about whether the Council corporately is allocating appropriate priority towards its preparations for GDPR - see paragraph 6.1).
- There is other non-audit work done by officers within the audit team; one auditor's time is divided between the audit and insurance functions. Another auditor has been seconded into Finance each year to help with completing the capital accounting entries within the Council's annual statements of accounts. The safeguards in place to prevent any compromise in audit objectivity should be clearly stated and reported to senior management and the Governance and Audit Committee at least annually for noting and agreeing. There was no reference to the safeguards in the HoIA annual report 2016/17 or the Audit Plan 2017/18.

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<sup>1</sup> The Role of the Head of Internal Audit in Public Service Organisations, CIPFA, 2010

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- The current job description for the HoIA includes a requirement for the post-holder to deputise, as required, for the Council's Chief Finance Officer. Any deputising could create a conflict of interest and would be best avoided if possible.
- The template for auditor Declarations of Interest is not up to date. It refers to the predecessor to the current audit standards (ie the CIPFA Code of Practice).
- The Governance and Audit Committee is not involved in decisions about the appointment of the HoIA and neither the Committee or the Chief Executive have any direct input into the HoIA's performance appraisal. However, it is acknowledged that non-compliance with these elements of the Standards is not at all uncommon, and this alone would not fail conformance with the Standards.

### **Annual Audit Opinion**

- In 2016/17, the HoIA's overall opinion in his annual report stated "*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 appears to be adequate*". This wording does not fully meet with the requirements of the Accounts and Audit Regulations and the Standards to incorporate audit conclusions on control, risk and governance arrangements including ethics related objectives.
- Reference is made in a separate part of the 2016/17 HoIA annual report on the Council's performance in relation to its Governance arrangements, as informed by the HoIA's broader responsibilities, but this sits outside of the formal annual audit opinion. Additionally, we could not clearly see whether the annual audit plans were designed to ensure sufficient audit work was done in each of these three inter-related elements to enable the annual audit opinion to cover all three elements.
- The last full audit review of Risk Management was reported in January 2015 and was critical of the Council's risk management. A recent audit report, issued in November 2017, stated that the Governance Breakdown Risk had not been updated on the corporate risk register since Feb 2014.

### **Audit Charter and Procedures**

- We found that while the Audit Charter adequately reflects the Service's operations, it is not up to date; changes to the Audit Standards made in 2016 and 2017 have not been adopted in the Charter.
- Internal Audit devoted considerable time and priority to implementing its new electronic audit system (MK Insight) during 2017/18, including the processes relating to it. Procedure notes now need to be completed to describe and guide auditors through the audit process itself, to complement the MK Insight process notes. An audit procedure manual

helps to ensure staff have the tools and guidance they need to complete audit work in accordance with the Service's prescribed approach.

### **Planning and Quality Assurance**

- Internal Audit adopts a three-year strategic audit plan and this forms the starting point for each of the annual audit plans within the 3 year period. The current 3 year plan covers 2015/16 to 2017/18. Plans should be risk based and both the risk assessment and plan should be reviewed at least annually. There is some evidence of review of the original strategic plan proposals for the 2017/18 audit year and adjustment to take account of changing priorities in determining the final annual audit plan for 2017/18. The changes have been appropriately communicated to the Governance and Audit Committee, to ratify the 2017/18 plan. It is three years since the original risk assessment was conducted. The requirement now to produce a new three year plan (from 2018/19) provides an opportunity to refresh / develop the risk assessment approach.
- The Service's quality assurance improvement programme for 2017/18 has been focused on the implementation of the new MK Insight electronic audit system and review of a sample of audit files. Other elements typically found in quality assurance programmes are team-wide skills assessments against future needs and resulting team development programmes, occasional client surveys to inform opportunities for improvement and development and feedback loops from file reviews, personal development reviews and feedback from staff on opportunities for improvement.
- There is not currently a team development plan that identifies the future requirements for the service in terms of skills and a programme for the accumulation of the skills. The last full skills assessments were completed in 2014/15.

### **Audit Reporting**

- The Standards require key audit reports and updates to be presented to senior management (probably at Bradford, the Corporate Management Team), including the results of the Quality Assurance and Improvement Programme, the Audit Charter, audit plans and resources and any changes made to these. Regular reports are not currently presented to the Corporate Management Team.
- Recent audit reports refer to the audit work being completed in compliance with the Standards. The need to make a confirmatory statement in relation to this is a requirement of the Standards. Not all reports included such a statement. Reports generated using the MK Insight audit system include the required statement.

### 6. OTHER MATTERS

6.1 While not strictly within the scope of this review of Bradford Council's Internal Audit Service's conformance with audit standards, two issues arose during the review that indirectly affect the service and, therefore, warrant comment. They are also of significant interest to the Governance and Audit Committee. These are:

- Feedback from senior managers met during the review suggests the Council's approach to risk management is not at a high standard across all council services. This can have a detrimental effect on the internal audit planning process which relies, to a certain extent, on the strength and accuracy of risk registers held across the Council.
- The HoIA has responsibility for Information Governance and is leading on the Council's preparations for the General Data Protection Regulations (GDPR). These are potentially profound and far-reaching regulations that come into effect in May 2018, requiring councils to undertake considerable preparation. In Doncaster, for example, a full project team has been established to ensure the Council meets the requirements of the GDPR. There is a full time project manager and project leads for each of the Council's directorates. We did not see any similar corporate approach to Bradford Council's preparations.

### 7. SERVICE IMPROVEMENT OPPORTUNITIES AND RECOMMENDATIONS

7.1 The scope of this review was to assess Internal Audit's arrangements against the requirements of the Audit Standards. This was a limited scope review as agreed by the Governance and Audit Committee, and as agreed and performed throughout South and West Yorkshire authorities participating in this peer review programme. The review has highlighted some significant issues that could affect Internal Audit's ability to meet its statutory and professional requirements, in particular relating to the current level of resources and the non-audit responsibilities of team members and in particular the HoIA. In consideration of this, we recommend the Assistant Director of Finance and Procurement (and the Council's Section 151 Officer), should carry out a further review to look more deeply into these matters.

7.2 Other conclusions reached in this review and referred to above are scheduled in **Appendix B** of this report. The Assistant Director of Finance and Procurement and the HoIA have added the proposed actions in respect of each of the matters raised. We are satisfied with the proposed actions and can commend them to the Governance and Audit Committee. Effective implementation of the actions should enable Internal Audit to reach *General Conformance* with the Audit Standards.

7.3 This report should be presented to the Governance and Audit Committee. The HoIA should incorporate actions resulting from this review into the Service's

## **Bradford Internal Audit Service - Peer Review**

Quality Assurance and Improvement Programme, to ensure management and the Governance and Audit Committee can monitor progress in implementing the improvements required to fully conform with the Standards.

### **ACKNOWLEDGEMENT**

The assistance and co-operation of Mark St Romaine, Michael Parkinson, Paul Wood, Stephen Mulkeen and the rest of the Audit team during this review is gratefully recognised.

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**28 February 2018**

**Interviewees and Reports and Key Documents Reviewed**

**Interviewees:**

- Mark St Romaine, Head of Internal Audit, Insurance, Information Governance and Risk
- Stuart McKinnon-Evans, Strategic Director of Corporate Services
- Councillor Michael Johnson, Chair of Governance and Audit Committee
- Ola Ajala, Financial Controller, West Yorkshire Pension Fund
- Jenny Cryer, Assistant Director Performance Commissioning and Partnerships, Children's Services
- Lyn Sowray, Assistant Director Operational Services, Health and Wellbeing
- Ian Day, Assistant Director Neighbourhoods
- Andrew Crookham, Assistant Director Finance and Procurement
- Michael Parkinson, Paul Wood, Stephen Mulkeen, Internal Audit Team

**Internal Audit Reports Examined:**

- Register of Births Permanent Spoiled Certificates
- Temp & Permanent Variations to Pay
- Review of Governance Breakdown Corporate Risk
- Risk Management
- Farfield Primary School
- West Yorkshire Pensions Fund – Additional Voluntary Contributions
- Mental Capacity Act 2005 – Deprivation of Liberty safeguards

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### **Key Documents Reviewed:**

- Internal Audit Structure and Organisation
- Internal Audit Charter
- Internal Audit Strategic Plan 2015/16 to 2017/18
- Internal Audit Annual Plan 2017/18
- Internal Audit Annual report 2016/17
- Internal Audit Monitoring Reports
- Job Descriptions
- Declarations of Interests
- MK Insight Electronic Audit System - Internal Guidance Notes Framework
- Internal Audit Training Record
- Audit Universe and Risk Assessment
- Audit Performance Information
- West Yorkshire Pension Fund Audit Planning Documentation
- 2017/18 Audit Plan Monitoring
- School 2017/18 Audit Plan
- Audit Follow Up process

**Public Sector Internal Audit Standards – Improvement Plan**

Ref	Issue	Recommendation	Action Agreed or Other Management Response	Lead Officer	Deadline
<b>Audit Resources</b>					
1	<p>The Service has notably limited resources. There is an ongoing risk that the Service could fail to carry out sufficient work to enable the HoIA to give a full opinion required by the Standards.</p> <p>The HoIA has some concerns about succession planning and it is clear that any (further) loss of existing staff, who each have substantial experience, would be a detriment to the service.</p> <p>Following the ending of the partnership arrangement with Wakefield Council, Bradford Council will need to ensure it can maintain technical IT audit provision.</p> <p>The Head of Audit is currently spending around 50% of his time on non-audit activities and there is other non-audit work being done by officers within the audit team.</p>	<p>The Assistant Director Finance and Procurement should look at the future resource requirements for the service, ensuring the review considers:</p> <ul style="list-style-type: none"> <li>• The overall level of resources required to fulfil the statutory and professional requirements of the service</li> <li>• The extent to which the current Head of Audit's position is conflicted due to a high level of other responsibilities</li> <li>• The overall level of non-audit responsibilities performed by the audit team, including the HoIA</li> <li>• There is sufficient access to technical ICT audit resources</li> </ul>	<p><b>Agreed</b></p> <p>Service resource levels, audit documentation, planning and potential conflict in responsibilities will be assessed and addressed by a review of the service during 2018.</p>	<p>Assistant Director Finance and Procurement</p>	<p>December 2018</p>

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<b>Audit Independence</b>					
2	<p>The Head of Audit is currently spending around 50% of his time on non-audit activities and there is other non-audit work being done by officers within the audit team</p> <p>There was no reference to the safeguards in place to protect against audit objectivity and independence in the HoIA annual report 2016/17 or the Audit Plan 2017/18</p>	<p>The Assistant Director Finance and Procurement should ensure there are sufficient safeguards in place to ensure audit independence and objectivity are not compromised by any non-audit responsibilities retained by internal audit, including in particular the HoIA.</p> <p>Safeguards should be reported to, and agreed by, the Governance and Audit Committee.</p>	<p><b>Agreed</b></p> <p>Building on the action in 1, we will seek to address circumstances that give rise to audit independence and objectivity being compromised, and would expect to report appropriate safeguards as part of our reporting process.</p>	<p>Assistant Director Finance and Procurement</p>	<p>December 2018</p>
3	<p>The current job description for the HoIA includes requiring the post-holder to deputise, as required, for the Council's Chief Finance Officer. Any deputising for this role could create a conflict of interest.</p>	<p>The Assistant Director Finance and Procurement should consider removing the requirement for the HoIA to deputise for the Chief Finance Officer and amend the job description accordingly.</p>	<p><b>Agreed</b></p> <p>This will be removed. The HoIA post isn't the Deputy Chief Finance Officer (held by the Head of Budgeting, Management Accounting and Projects), and therefore has no statutory standing in relation to those powers.</p>	<p>Assistant Director Finance and Procurement</p>	<p>December 2018</p>
4	<p>The template for auditor Declarations of Interest is not up to date. It refers to the CIPFA Code of Practice for Internal Audit which was succeeded by the current Audit Standards.</p>	<p>The HoIA should update the Declarations of Interest form to refer to the current audit Standards.</p>	<p><b>Agreed</b></p> <p>The Declarations of Interest Form will be updated to refer to the current Standards.</p>	<p>HoIA</p>	<p>March 2018</p>

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<b>Audit Independence (continued)</b>					
5	The Governance and Audit Committee is not involved in decisions about the appointment of the HoIA and neither the Committee or the Chief Executive have any direct input into the HoIA's performance appraisal.	The Assistant Director Finance and Procurement should determine the required involvement of (1) the Governance and Audit Committee in decisions about the appointment of the HoIA and (2) the Committee and/or the Chief Executive in the HoIA's performance appraisal, and obtain the agreement of the Governance and Audit Committee and Chief Executive as appropriate.	<p><b>Partially Agreed</b></p> <p>The Council's Standing Orders do not allow for formal/direct involvement of Members in the appointment of the HoIA.</p> <p>The views of the Chair of the Committee and Chief Executive will be sought as part of the annual appraisal process.</p>	Assistant Director Finance and Procurement	June 2018
<b>Annual Audit Opinion</b>					
6	The wording of the HoIA annual opinion does not comply with the requirements of the Accounts and Audit Regulations and the Standards, which require the audit opinion to incorporate audit conclusions on control, risk and governance arrangements.	The HoIA should ensure the wording of his 2017/18 annual report complies with the requirements of the Accounts and Audit Regulations and the Audit Standards.	<p><b>Agreed</b></p> <p>The audit opinion within the 2017/18 Annual Head of Audit Report will comply with the requirements of the Accounts and Audit Regulations and Audit Standards.</p> <p>The 2016/17 Annual Head of Audit Report included a long statement on the Council's governance procedures, but included no comment in the actual audit opinion itself.</p>	HoIA	July 2018

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<b>Annual Audit Opinion (continued)</b>					
7	We could not clearly see whether the annual audit plans were designed to ensure sufficient work was done in each of these three inter-related elements to enable the annual audit opinion to cover all three elements	The HoIA should ensure future plans show clearly how the work planned will contribute to forming an opinion at the end of the year on the Council's control and/or risk and/or governance arrangements.	<b>Agreed</b> Future annual audit plans will be designed to clearly show how they contribute to forming audit conclusions on control, risk and governance.	HoIA	July 2018
<b>Audit Charter and Procedures</b>					
8	The Audit Charter is not up to date; changes to the audit standards made in 2016 and 2017 have not been adopted in the Charter	The HoIA should update the Audit Charter as a priority.	<b>Agreed</b> The Audit Charter will be updated to reflect the current audit standards. However, it should be noted that CIPFA have not yet issued its Local Government Application Note which should detail how the Charter should be revised.	HoIA	July 2018
9	Procedure notes now need to be completed to describe and guide auditors through the audit process itself, to complement to MK Insight process notes	The HoIA should complete audit procedure notes to supplement the MK Insight process details.	<b>Agreed</b> Audit procedure notes will be completed to describe the current audit process now that MK Insight has been implemented.	HoIA	December 2018

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<b>Planning and Quality Assurance</b>					
10	The service's quality assurance improvement programme for 2017/18 has been the implementation of the new MK Insight electronic audit system and review of a sample of audit files.	The HoIA should enhance the Quality Assurance and Improvement Programme to include wider development needs that can be derived from, for example: <ul style="list-style-type: none"> <li>• skills assessments against future needs and resulting team development programmes,</li> <li>• occasional client surveys</li> <li>• feedback loops from file reviews,</li> <li>• personal development reviews</li> <li>• feedback from staff on opportunities for improvement</li> </ul>	<b>Agreed</b> The Quality Assurance and Improvement programme will be broadened in scope in future.	HoIA	December 2018
11	There is not currently a team development plan that identifies the future requirements for the service in terms of skills and a programme for the accumulation of the skills	The HoIA should undertake an assessment of future service requirements and skills required to meet requirements, and produce a team development plan to deliver the core needs identified.	<b>Agreed</b> A team development plan will be produced to deliver the service's future needs.	HoIA	July 2018

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<b>Audit Reporting</b>					
12	The standards require various reports and updates to be presented to senior management (probably the corporate management team), including the results of the Quality Assurance and Improvement Programme, the Audit Charter, audit plans and resources and any changes made to these. Regular reports are not currently presented to the Corporate Management Team.	The HoIA should ensure key audit reports, including the strategic and annual audit plans, and the HoIA annual report are presented to the Corporate Management Team	<b>Agreed</b> Internal Audit currently reports through the Chief Finance Officer and the Governance and Audit Committee. There are regular briefings to the Chief Executive.  We will explore the merits of periodic reporting to CMT, subject to timetabling, in line with the reports that are presented to Governance and Audit Committee.	Assistant Director Finance and Procurement	April 2018
13	Recent audit reports refer to the audit work being done in compliance with the Standards. The need to make a confirmatory statement in relation to this is a requirement of the Standards. Not all reports included such a statement.	The HoIA should ensure all reports confirm work has been done in accordance with the Standards, unless this does not apply.	<b>Agreed</b> This is the case for non MKI generated reports, which are a small percentage of the reports. All future audit reports are to confirm that work has been done in accordance with the Standards unless this does not apply.	HoIA	April 2018

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<b>Other Matters</b>					
14	Feedback from senior managers met during the review suggests the Council's approach to risk management is not at a high standard across all council services.	The Assistant Director Finance and Procurement should look further at the application of risk management with a view to ensuring good risk management is performed consistently across the Council.	<b>Agreed</b> This work is already underway. CMT agreed a series of improvements in January 2018, which were subsequently reported to Corporate Overview & Scrutiny Committee, to strengthen our risk management practices including improving consistency and quality as well as re-introducing public reporting of risk.	Assistant Director Finance and Procurement	July 2018
15	The HoIA has responsibility for Information Governance and is leading on the Council's preparations for the General Data Protection Regulations. We did not see any corporately owned approach to ensuring Bradford Council would be ready to meet the GDPR requirements in May 2018	The Assistant Director Finance and Procurement should look further at the Council's approach to implementing the General Data Protection Regulations and ensure sufficient planning for the regulations is (put) in place.	<b>Agreed</b> An action plan was agreed by CMT in February 2018 to deal with implementation of GDPR.	Assistant Director Finance and Procurement	May 2018