

Report of the Director of Finance and IT to the meeting of the Governance and Audit Committee to be held on 17 September 2020.

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Subject:

INTERNAL AUDIT ANNUAL REPORT 2019/20

Summary statement:

This report reviews the service Internal Audit has provided to the Council during the financial year 2019/20.

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Portfolio

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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 2019/20.

In particular Members are advised of the following:-

- Internal Audit completed 93% of the 2019/20 audit plan which, was above the target of 90%.
- Internal Audit's Client satisfaction identified that 93% of the respondents said that the "recommendations were useful and realistic" and believed that the audit was "of benefit to management."
- 100% 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 Corporate Resources.
- 2.2 The Internal Audit Annual Report 2019/20 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 AND GOVERNANCE ISSUES

- 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 2019/20 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 2015 require the Council to 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. The Council achieves this by complying with the Public Sector Internal Audit Standards (PSIAS) 2017, which it does by following the CIPFA Local Government Application Note.
- 8.2 Standard 2450 of the PSIAS requires the Head of internal Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control. The annual report must also include a statement on conformance with the Public Sector Internal Audit standards and the results of the quality assurance and improvement programme. This requirement is met by the attached (Appendix 1) Internal Audit Annual Report for 2019/20.
- 8.3 The Accounts and Audit Regulations 2015 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 Equality & Diversity

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.

9.8 Implications for Corporate Parenting

None

9.9 Issues Arising from Privacy Impact Assessment

None

10. NOT FOR PUBLICATION DOCUMENTS

10.1 None.

11. RECOMMENDATIONS

That the Committee recognises and supports the work carried out by Internal Audit during 2019/20.

12. APPENDICES

Appendix 1 – Internal Audit Annual Report 2019/20.

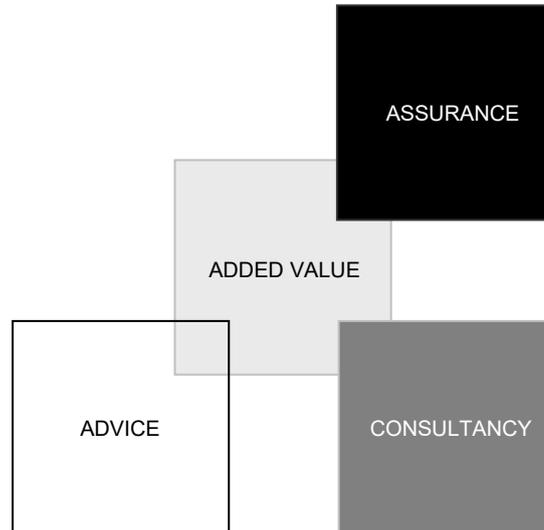
13. BACKGROUND DOCUMENTS

13.1 Accounts and Audit Regulations 2015.

13.2 Public Sector Internal Audit Standards 2017.

- 13.3 The CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition.
- 13.4 GAC report 18 April 2019 – Internal Audit Plan 2019/20.
- 13.5 GAC report 28 November 2019 - Internal Audit Plan 2019/20 Monitoring Report as at 30 September 2019.

INTERNAL AUDIT ANNUAL REPORT 2019/20



INTRODUCTION

The aim of this report is to provide information on the activities of Internal Audit during the financial year 2019/20 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, its governance processes and risk management systems.

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, Insurance and Risk

August 2020

Circulation:-

Members
Chris Chapman
Joanne Hyde
Senior Management
Cameron Waddell
All Staff

Governance & Audit Committee
Director of Finance and IT
Strategic Director Corporate Resources
Council Management Team
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 2018/19 (GAC 31st July 2019)
- Internal Audit Plan 2019/20 (GAC 18th April 2019)
- Internal Audit Plan 2019/20 Monitoring Report as at 30 September 2019.(GAC 28th Nov 2019)

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

In total 2,505 audit days (9.6 FTE) were available in 2019/20, compared with 2,276 days (8.7 FTE) available in 2018/19. The net increase was due to the full year effect of recruiting four Senior Auditors (3.35FTE) in August 2018, the reduction in working hours of one Senior Auditor effective from 1.4.19 (0.4FTE) and the transfer of one member of staff to Financial Services (1FTE).

1.3 External Audit

In November 2012 Mazars formally 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 2019/20 Internal Audit Plan was shared with External Audit.

1.4 Public Sector Internal Audit Standards (PSIAS)

Since 1st April 2013 the Council has been required to comply with the Public Sector Internal Audit Standards (PSIAS). These were revised in 2017 and in January 2019 the Governance and Audit Committee approved the Council's Internal Audit Charter which had been revised to be fully compliant with these standards. 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.

2. SERVICE DELIVERY

2.1 Audit Resources and Coverage

The original audit plan for 2019/20 was approved by GAC on 18 April 2019 and was based on 2,505 days of audit resources. The Internal Audit Monitoring Report presented to GAC on 28 November 2019 noted that after taking into account insurance management, its audit provision to West Yorkshire Pension Fund, Bradford Council would receive circa 1,881 audit days in 2019/20. 1,913 days were actually delivered.

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 2019/20, Internal Audit achieved 93% of the original plan.

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 2019/20 (and 2018/19) a total of 61 reports were issued

The reports issued in 2019/20 recorded that the percentage of controls satisfied was 71%, a decrease of 2% on the 73% satisfied in 2018/19, and is 3% below the five year average of 74% of controls satisfied. This year on year fall in the percentage of controls satisfied, whilst slight, is of concern as it is an indicator that the control environment may be deteriorating over time. As in 2018/19 the service continued to focus on and require responses only in relation to high priority recommendations. 100% of these recommendations were accepted by management.

Chart One below, shows the total number of audits by type and sections 2.3 onwards explain in more detail the audit coverage and some of the issues arising from the work undertaken during the year. A listing of audit reports issued in 2019/20 by audit type is shown in Appendix A.

Chart One: Showing the Breakdown of Total Reports Produced in 2018/19 and 2019/20 by Audit Type

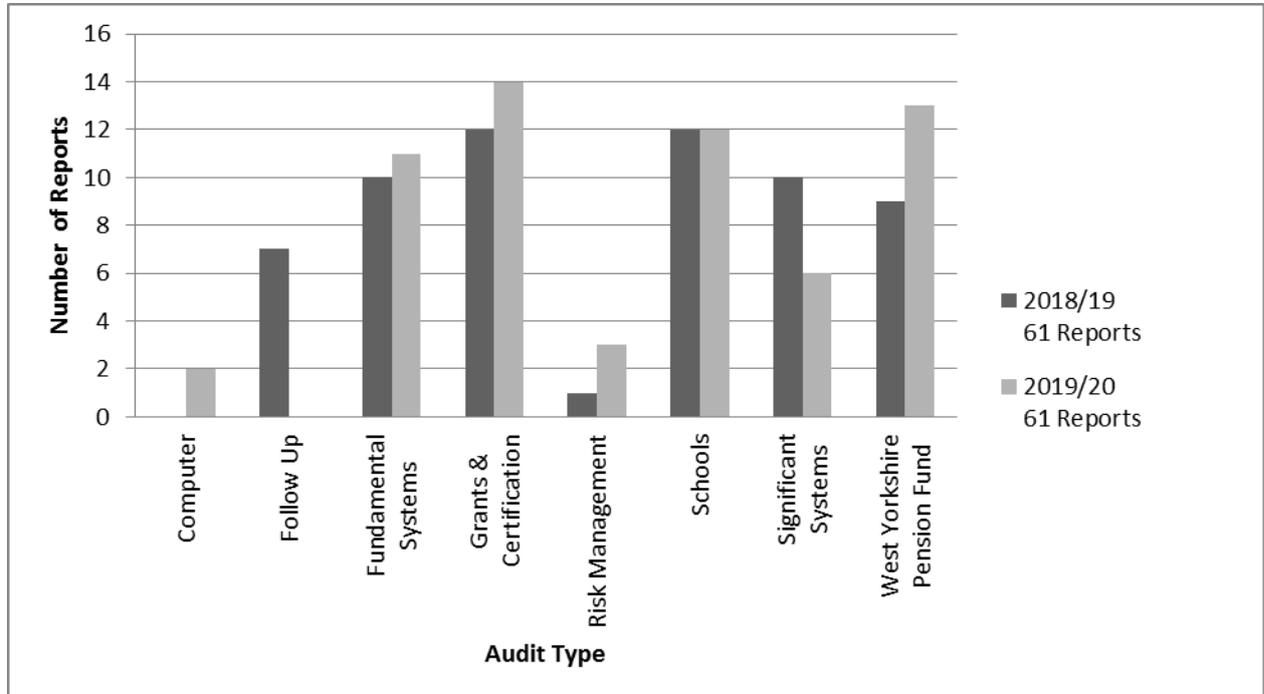


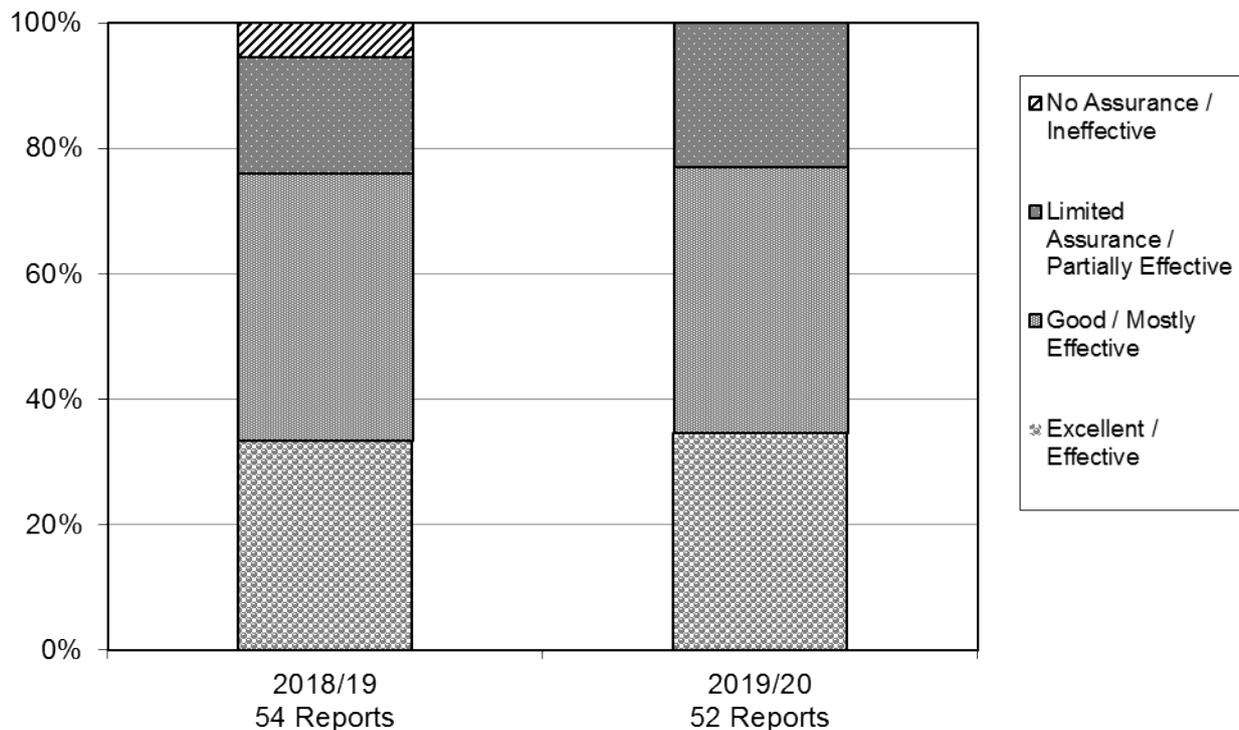
Chart One also shows that in comparison to 2018/19 there was a decrease of 7 and 4 in the respective numbers of follow up and significant systems reports issued in 2019/20. The decrease in follow up report numbers in 2019/20 was due to process changes introduced in the year, which reduces the need for individual follow up audits to be done (see 2.8 for more details). The comparative decrease in significant systems

report numbers is partly due to risk management reports, previously included within significant systems, being separately shown as a report type.

These comparative decreases in follow up and significant systems reports in 2019/20 were offset by comparative compensating increases in report numbers across all other audit types. Of note, West Yorkshire Pension Fund report numbers increased by 5 in 2019/20 and there were two Computer Audit reports issued in 2019/20 by Salford Council, the Council's new computer audit provider (see 2.10 for more details).

Chart Two, below, shows that, from the evaluation of risks and controls in 2019/20, 77% of the systems examined had either an 'excellent' or 'good' audit opinion, which was almost the same as in 2018/19 (76%). The 'good' opinion remained the most dominant opinion in 2019/20 at 42%. It is pleasing to note that in 2019/20 there were no audit reports issued with a 'no assurance' audit opinion, although there was a 'no assurance' report issued in draft to a school in late March 2020 that was not agreed until July 2020 due to Covid 19. This is an improvement on 2018/19, where three reports (6%) had a no assurance opinion.

Chart Two: Breakdown of Audit Opinions 1 April 2018 to 31 March 2020



The analysis above relates to those reports with opinions. In 2019/20 52 (85%) out of 61 issued reports had an audit opinion, which was marginally less than the 54 (89%) out of 61 issued reports in 2018/19.

Opinions are derived from an analysis of the level of control effectiveness in managing the reviewed risks and the 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.

2.3 Fundamental Systems

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 2019/20 11 fundamental systems reports were issued. This was a slight increase on the 10 reports issued in 2018/19.

There was three partially effective opinions relating to Accounts Receivable Enforcement Refunds & Write offs, Requisitioning, Ordering & Receipting and Flexitime/Time recording Council Wide. Of the remaining 8 fundamental system audits, 3 had 'Excellent', 2 had 'Good' audit opinions and 3 had no opinions.

The Accounts Receivable Enforcement Refunds and Write Offs audit gave a partially effective opinion due to blocks/markers used inappropriately on Customer records preventing invoices being highlighted for recovery action; a significant number of customer accounts had credit balances that required actioning; there was inadequate assurance that an appropriate process existed on URB workflow to enable appropriate recovery action to take place for all outstanding invoices on SAP which required intervention beyond issuing standard reminder letters; inadequate assurance that all written off debts are appropriately authorised.

2.4 Audit Grant and Certification Work

Certain grants received by the Council require an Internal Audit certification to confirm that the expenditure in the previous financial year i.e. 2018/19 was made in accordance with the Grant Determination Letter from the funding body. The number of grants requiring Audit certification in 2019/20 was 11 with a total of 14 reports issued in respect of these. Seven Highways related capital grants, the Disabled Facilities Capital Grant and the Bus Subsidy Revenue Grant all received 'Excellent' opinions.

Troubled Families Grant certification generated 4 reports during the year. Claim audits continue to identify ongoing issues of data quality, necessitating the withdrawal of ineligible cases, albeit small in number. Internal Audit supported the Families First Team to make more regular payment by results claims during the financial year.

The Primary PE and Sports Grant was tested at a sample of schools, which established that monies were being spent in accordance with grant objectives and no significant concerns were identified, however, some schools continue to publish insufficient details of grant expenditure and its impact, thereby not complying absolutely with grant conditions.

2.5 Significant Systems

Internal Audit produced 6 reports relating to significant systems of the Council during 2019/20. 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 in 2019/20 are shown below:

The audit review of Deferred Payment for Care gave a 'partially effective' audit opinion and raised 6 high priority recommendations. The audit identified several key concerns including: a significant number of properties on which Deferred Payment Agreements (DPAs) are based for which the Council does not appear to have a legal charge;

properties on which a DPA is secured do not have an annual valuation, therefore the available equity may be incorrect and insufficient to cover the deferred payment debt; no system is in place to ensure all properties on which deferred payments are given are insured; best practice guidance to review the DPA when there is 6 months' equity remaining is not being followed; the debt recovery processes are not robust; and there are service users who may have been incorrectly invoiced due to configuration problems with the ContrOCC system.

The Controcc Financial Management System Post Implementation Review in Children's Services gave a partially effective opinion due to concerns that: staff may have inappropriate system access; incorrect care packages and payments are being created, due in part to a lack of training; duplicate payments can occur; the provider portal is not yet operational for carers to use; there is a lack of management information available.

The audit review of Car Parking gave a 'good' audit opinion and raised two high priority recommendations. The report highlighted concerns to management that the details of why penalty charge notices are marked as spoiled are not properly recorded and early payment discounted payments were accepted after the eligibility deadline without management approval or recorded justification.

The audit of the Partnership Governance also resulted in a good audit opinion and raised one high priority recommendation. The audit highlighted to management the concerns that the risk management arrangements for the Health & Wellbeing Board's responsibility as lead strategic partner for delivery of the District Plan, (and from April 2020, the Health and Wellbeing Strategy) are inadequate; and there are no arrangements in place for identifying significant partnerships which work alongside the Council, resulting in a lack of scrutiny and oversight of these partnerships by the Health and Wellbeing Board.

2.6 Value Added

Internal Audit, where possible, adds value in the work that it undertakes. The following is a sample of instances during 2019/20 where value has been added.

Audit Work	Brief Explanation of Savings Identified or Value Added
ContrOCC Financial Management System	Following ContrOCC becoming operational within Children's Services in May 2018, this inaugural audit review, which was high level and focused on its use by the Through Care service, adds value by highlighting to management areas where the system was found to be working as expected and those that are of concern to Internal Audit. The implementation of the 7 high priority recommendations made in this report, which gave a partially effective opinion, will improve the standard of control operating within and over the ContrOCC System and LCS on which it depends.
Deferred Payment for Care	Internal Audit reviewed the systems and processes involved in a service user choosing to defer payment of their residential care costs based on the equity in their property.

SFVS Training	<p>Between October 2019 and January 2020, Internal Audit provided training to 117 Heads, Governors and financial staff from 64 of the district's schools. The purpose of the training was to support schools with their responsibilities for fulfilling Department for Education (DfE) requirements relating to the Schools Financial Value Standard (SFVS). Annual completion of the SFVS process in schools provides internal assurance that they are practicing good financial management, which contributes to the optimisation of the use of resources, to support high-quality teaching and the best outcomes for pupils.</p> <p>It was the case that from 1st April 2019, a new SFVS scheme was introduced nationally by the DfE to all maintained schools (including those in Bradford), which comprised an increased and more demanding list of questions and also an additional requirement to complete a complex dashboard of numerical, statistical and financial information.</p> <p>This training gave those attending the best possible opportunity of obtaining a better understanding of the objectives of the DfE's SFVS scheme and producing good quality SFVS returns.</p>
Investigation of anonymous written allegations at a Primary School	Anonymous written allegations made to Internal Audit against a primary school Headteacher relating to financial mis-management were investigated, and a report was issued to inform the school's governing body.

2.7 Significant Concerns

There were two significant areas of concern raised in the last year. Whilst the final report was not issued until 2020/21 due to Covid 19, the draft report issued in 2019/20 to Ley Top Primary school gave an ineffective opinion due to general non compliance with financial rules and governance requirements.

The second area of concern raised was a critical recommendation that concerned the failure of a software supplier to deliver for two years, an effective direct debit facility for the trade waste service.

Both these issues will be reviewed in the 2020/21 financial year to identify if any progress had been made to remedy the weakness.

2.8 Follow Up

During 2019/20 the way in which Internal Audit recommendations are followed up was revised.

Under the revised method the intention was that recommendations would be followed up quarterly by the auditor making the recommendation. This approach commenced in October 2019. Having the author of the original report carry out the follow up work was useful, as intended, as it enabled difficulties in implementation to be identified and discussed, and it also allowed for revision of recommendations and removal of obsolete

recommendations as appropriate. However the initial follow up took longer than intended particularly obtaining an accurate position on some of the older recommendations. As a result the process did not continue on the original timetable and was then suspended due to the pandemic. It is anticipated that once it recommences it will be possible to carry out at least two follow up processes each year as the age and number of recommendations to be followed up will be lower.

2.9 Schools

a) School Audits

Final reports were issued to seven schools which were visited and full school audits completed as part of the 2019/20 plan. Schools are included in the audit plan based on a risk score, and by default these schools tend to be those which are already experiencing issues and would benefit most from audit input. Overall control effectiveness was rated at three schools as “Good” and at the other four as “Partially Effective.” Recommendations for improved financial practices were made at all these schools. In addition to the above seven audits finalised, full audits were undertaken and draft reports were issued just before the financial year end at two further schools but agreement of final reports was interrupted by the effect of coronavirus. Overall control effectiveness at these two schools was rated at “Ineffective” and “Good” in the draft reports issued.

Internal Audit also published its newsletter “In Control” to all schools via Bradford Schools Online in autumn 2019, giving advice and assistance on relevant issues and included sections on procurement in schools, increasing awareness of cyber crime and comprehensive details of the requirement changes to the DfE’s School Financial Value Scheme, effective from April 2019 and which needed to be considered before the March 2020 return deadline.

b) Schools Financial Value Standard (SFVS)

All maintained schools, excluding those falling within listed exceptions, are required to complete and submit to the Council, an SFVS self assessment form by the 31st March each year. This annual review of relevant financial management practices provides schools with internal assurance that resources are being used to support high-quality teaching and the best outcomes for pupils, in addition to the external assurance provided to the Council from the school’s SFVS governance activity. The Council is then required to submit an Assurance Statement signed by the Section 151 Officer to the DfE before the 31st May, detailing the number of returns received from schools and the number of those who had not complied by the March deadline.

As the 2019/20 financial year end approached, SFVS requirements changed; in early April 2020, as the effect of the COVID-19 pandemic developed, the DfE announced that the assurance statement would not be required from Council Section 151 officers; and also gave discretion to Councils on requiring schools to supply SFVS returns for the 2019/20 financial year.

However, it was the case that at the 31st March deadline, 83 from 102 maintained schools (81%) had supplied a return to the Council (78 from 90 expected, and 5 from 12 unexpected, due to applicable exceptions). From a brief initial analysis of the 2019/20 returns, Internal Audit was pleased to note that 65 (78%) showed evidence of approval by the governing body. Further analysis is planned to assess the quality of the content of the approved returns. 12 returns from 90 expected had not been returned by the deadline and there were no plans to pursue these for the time being.

c) Sixth Form Funding Assurance

Internal Audit provided a high level assurance piece of work in relation to sixth form funding totalling £8m, to enable the funding assurance statement to be signed off by the Council's Section 151 officer and be returned to the DfE.

2.10 Computer Audit

In the first half of 2019/20 Salford Council, who provide Computer Audit Services for a number of Councils and organisations in the North West, completed an Audit Needs assessment of Bradford's ICT functionality. The Computer Audit, Physical Environment and Security gave a partially effective audit opinion with the most significant concerns being in relation to fire prevention controls and the volume of staff with access to servers.

2.11 Risk Management

Three Internal Audit reports were issued in 2019/20, one on the Corporate Risk Management process, the second on the risk management of the Strategic Risk Adults Safeguarding Incident and the third on risk management arrangements operating within the Corporate Resources Department.. All three reports determined that the control environment was good.

2.12 Governance

The internal audit assessment of governance is supported by the annual review undertaken by the Director of Finance as S151 Officer. In conducting the review, reliance was placed upon six main sources of evidence:-

- The Constitution of the Council
- The adequacy of management actions in relation to key risks as identified in the corporate risk register
- Evidence from the regular monitoring and reporting to the Executive and Scrutiny Committees on performance, risk and finance issues
- Key Control and fraud risk self assessments supporting written confirmation from Strategic Directors that all reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations
- The reports of Internal Audit
- External Audit and other external inspection agencies

Overall as reported in the Council's Annual Governance Statement the Governance Procedures were determined as effective. An audit review of partnership governance in the Office of the Chief Executive gave a good opinion.

2.13 West Yorkshire Pension Fund (WYPF)

During 2019/20, Internal Audit carried out a variety of audits within WYPF. These included:

- **UK and Overseas Private Equities** – Control of this asset class was found to be of a good standard, however, recommendations were made to further enhance control in this area of activity.
- **Transfer of Data** – A pensions administration service is provided for a significant number of Fire and Rescue Authorities, Lincolnshire Pension Fund and London Borough of Hounslow Pension Fund. This audit was a high level review of the management processes which support the transfer of external data into the Universal Pensions Management system, when a new outside client is established under a shared service agreement. The standard of control in this area was deemed to be partially effective and resulted in a number of recommendations to improve the level of control in the process.
- **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.
- **New Pensions and Lump Sums Normal and Early Retirements** – 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 good, with one recommendation for improvement being made.
- **Review of the West Yorkshire Pension Fund 2018/19 Accounts** – This is an annual account review process, that ensures the final account is consistent with internal control reviews carried out by the Internal Audit Team during the year.
- **Annual Benefit Statements** – All active and deferred members of West Yorkshire Pension Fund receive an Annual Benefit Statement, this provides a number of pension details which demonstrate the value of their current benefits calculated from information provided by the member's employer on their monthly returns. No issues were identified during the course of this audit.
- **Equities** – Since November 2019, all quoted investments are now held under the custody of the Northern Trust Bank (previously HSBC), and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the annual audit review of this asset class found the process to be well controlled.
- **Treasury Management** – This audit reviewed the arrangements in place for Treasury Management, to ensure that surplus cash is invested in the most appropriate ways. Controls in this area were found to be excellent.
- **UK Fixed and Index Linked Public and Corporate Bonds** – Investment in this asset class at the time of the audit was approximately 13% of the of the total investment portfolio. The control environment for this asset class was deemed to be excellent with no issues identified.
- **UK and Overseas Unit Trusts (Property and Other)** – Approximately 4.3% of the West Yorkshire Pension Fund investment portfolio is held in property unit trusts. The control environment surrounding the UK Property Unit Trusts was deemed to be largely as expected with one recommendation for improvement being made.
- **Accuracy of Contributions Recorded on Member Records** - WYPF changed to a monthly contributions postings process several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member's records. This audit, aimed to provide assurance on the accuracy of

the contributions and other data recorded on member records, which had been received from contributing bodies. A number of issues were identified during the course of this audit which have resulted in recommendations being made to ensure that records are as accurate as possible going forward.

- **Information Governance and General Data Protection Regulation** – This audit reviewed the arrangements in place to ensure compliance with the General Data Protection Regulation (GDPR) introduced in May 2018. Controls to ensure compliance with the GDPR were found to be of a good standard, however, a number of recommendations were made to further enhance this process and maintain compliance.
- **Transfers In** - This work looked at individuals who had built up previous pension benefits in their former employments and now wished to amalgamate them with their new West Yorkshire Pension Fund contributions. The standard of control in this area was found to be of a good standard with two minor recommendations for improvement.

2.14 Changes to the 2019/20 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 implementation delays, or the availability of service staff, but also Internal Audit capacity constraints. In some cases work had been covered by an alternative. Audits were also completed that were not in the original plan due to assurance requirements from management.

Details of the audits that were added or deleted from the 2019/20 Audit Plan over and above those that were reported in the Internal Audit Monitoring Report presented to GAC on 28 November 2019 is shown in Appendix B. Where an audit was removed from the Plan a reason has been given as to why this was. Appendix B also shows 2019/20 planned audits that were ongoing as at 31.3.20.

2.15 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 had during the year responsibilities for Insurance, Risk Management and Information Governance arrangements. In May 2019 the Head of Internal Audit was no longer responsible for the Information Governance Team.

The Head of Internal Audit is not involved in audits where he has existing or has previously held operational responsibility. If an audit is undertaken of Risk Management or Insurance the reports are reviewed by an Audit Manager and reported directly to the Director of Finance to avoid a conflict of interest.

2.16 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. 93% 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 process was good throughout- can't think of any improvements.

The audit has been helpful to give clear steer to the service in relation to the next stage of the controcc project. I have no recommendations for further improvement.

The auditor was very professional, took her time to understand the work we do and continually asked questions that were relevant. I personally found the whole experience very good.

The audit was definitely a worthwhile exercise. It identified some areas for improvement in terms of financial management and record keeping.

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 76% of reports were issued within three weeks of finishing on site, which is just below the target of 80%. 89% of final reports were issued within a week of agreement with management, which is just below the target of 90% that was only missed due to technical problems with MK Insight in the first half of the year, which have now been addressed.

c) Review of the Effectiveness of Internal Audit

In accordance with Public Sector Internal Audit Standards Internal Audit has developed and maintains a Quality Assurance Improvement Plan (QAIP). The QAIP establishes and maintains best practice and drives continual improvement. Improvement developments that Internal Audit has progressed in 2019/20 include:

- The Head of Internal Audit no longer has responsibility for Information Governance
- The Computer audit resourcing gap that has existed for two years has now been filled. Bradford Council is to enter into a 3 year contract with Salford Council for the provision of Computer Internal Audit services. The contract will be for 60 days per annum over three years from 1/10/19 to 30/9/22.
- The position of Internal Audit Graduate Trainee has been recruited to.
- Internal Audit Training and Development draft plan has been produced.

2.17 Training and Development

To support the competency requirements of the PSIAS as well as personal and professional advancement all staff are encouraged to undertake training and development opportunities. During 2019/20 staff took part in a variety of training days, evening events and lunchtime webinars provided in-house and by the professional bodies (e.g. CIPFA, IIA and CIMA). Topics ranged from personal development (e.g. change management), through council service knowledge (e.g. power BI) to professional update (e.g. crowd funding, cyber security, data analytics). In addition, five members of staff attended the CIPFA NW Weekend School, which included a diverse range of training and information sessions, as well as an opportunity for team building and networking with audit colleagues from across the North of England.

2.18 Direct Payments

At the July 31 2019 Governance and Audit Committee it was agreed that a report solely on the significant concerns relating to Direct Payments be reported to the Corporate Management Team as soon as possible. A report on the Direct Payments Improvement Plan was agreed by CMT on the 13th November 2019 which included case prioritisation based on the time since the last audit and the value of the weekly payment. Of the 86 high priority cases, 64 had so far been finished and the rest timetabled to be completed in the next two weeks. It was envisaged that it would take a year to address the backlog on the lower risk cases. It was agreed that Internal Audit would review the situation in six months to determine the level of progress and report back to CMT. Due to Covid 19, Internal Audit have not been able to review the level of progress and report back to CMT.

2.19 Covid 19 Response

During the current Covid Crisis Internal Audit resources have been used to support Revenues in the process design of Business Grants and contacting businesses, , advising Procurement on how to deliver supplier relief and giving support to Accountancy. Due to the timing of the emergency the impact in 2019/20 was limited to the end of the financial year, though the consequences for 2020/21 will be significantly greater.

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 taking into account other internal and external assurance processes the overall internal control environment risk management and governance framework of the Council is effective.

Details of the Audit Reports Issued in 2019/20 by Audit Type

Audit Category	Client	Opinion	Title	Final Report Issue Date
Computer Audit	Corporate Resources	N/A	Computer Audit Needs Assessment	25/07/2019
Computer Audit	Corporate Resources	Limited Assurance	Physical Environment and Security	31/03/2020
Fundamental Systems	Corporate Resources	Partially Effective	Accounts Receivable Enforcement Refunds & Write offs	02/07/2019
Fundamental Systems	Corporate Resources	Excellent	Certification of Payroll Contributions 2018/19	14/05/2019
Fundamental Systems	Corporate Resources	Good	Compliance with Corporate Contracts & Frameworks	02/09/2019
Fundamental Systems	Corporate Resources	N/A	Concerns Relating to Accounting for VAT on Property Transactions	24/09/2019
Fundamental Systems	Corporate Resources	Excellent	Discretionary Housing Payments	27/08/2019
Fundamental Systems	Corporate Resources	Partially Effective	Flexitime/Time recording Council Wide	18/03/2020
Fundamental Systems	Dept of Place	Good	Keighley Road Extra Care & Residential Care Capital Scheme Review	11/07/2019
Fundamental Systems	Corporate Resources	N/A	Mortuary Drivers Overtime Calculation	10/02/2020
Fundamental Systems	Childrens Services	Partially Effective	Requisitioning, Ordering & Receipting	02/08/2019
Fundamental Systems	Corporate Resources	N/A	Review of a Recruitment Process Within the Department of Health and Wellbeing	23/09/2019
Fundamental Systems	Corporate Resources	Excellent	Starters & Leavers (Schools)	03/02/2020
Grants & Certificate	Childrens Services	Good	PE & Sport Grant 2018/19	29/05/2019
Grants & Certificate	Childrens Services	Good	Troubled Families (Families First) Funding 2019/20	02/07/2019
Grants & Certificate	Childrens Services	Good	Troubled Families (Families First) Funding 2019/20	08/10/2019
Grants & Certificate	Childrens Services	Good	Troubled Families (Families First) Funding 2019/20 - claim 3	20/12/2019
Grants & Certificate	Childrens Services	Good	Troubled Families (Families First) Funding 2019/20 - claim 4	31/03/2020
Grants & Certificate	Dept of Place	Excellent	Bradford Interchange Access Improvement Grant	21/06/2019
Grants & Certificate	Dept of Place	Excellent	Cycle City Ambition Grant 2018/19	25/06/2019
Grants & Certificate	Dept of Place	Excellent	Disabled Facilities Grant 2018-19	24/07/2019
Grants & Certificate	Dept of Place	Excellent	Local Authority Bus Subsidy Ring Fenced (Revenue) Grant 2018/19	17/09/2019
Grants & Certificate	Dept of Place	Excellent	Local Highways Maintenance Funding 2018/19	12/07/2019

Grants & Certificate	Dept of Place	Excellent	National Productivity Investment Fund Grant 2018/19	12/07/2019
Grants & Certificate	Dept of Place	Excellent	Pot Hole Funding 2018/19	21/06/2019
Grants & Certificate	Dept of Place	Excellent	West Yorkshire Plus Transport Fund Grant 2018/19	25/06/2019
Grants & Certificate	Dept of Place	Excellent	West Yorkshire Combined Authority Local Transport Block Funding Grant 2018/19	21/06/2019
Risk Management	Corporate Resources	Good	Corporate Risk Management	12/09/2019
Risk Management	Corporate Resources	Good	Departmental Risk Management	12/09/2019
Risk Management	Health & Wellbeing	Good	Strategic Risk Management - Adults Safeguarding Incident	27/02/2020
Schools	Childrens Services	N/A	Analysis of Schools Financial Value Standard Self Assessment Returns 2019	24/05/2019
Schools	Childrens Services	N/A	Anonymous Allegations Against the Head Teacher at Peel Park Primary School	21/05/2019
Schools	Childrens Services	Partially Effective	Bankfoot Primary School	03/09/2019
Schools	Childrens Services	Good	Burley Oaks Primary School	09/03/2020
Schools	Childrens Services	Partially Effective	Frizinghall Primary School	27/06/2019
Schools	Childrens Services	Partially Effective	Hanson School	08/01/2020
Schools	Childrens Services	N/A	In Control Internal Audit Newsletter for Schools	08/11/2019
Schools	Childrens Services	Partially Effective	Midland Road Nursery School	01/05/2019
Schools	Childrens Services	N/A	Schools Financial Value Standard Training November 2019	05/12/2019
Schools	Childrens Services	Good	Silsden Primary School	14/01/2020
Schools	Childrens Services	N/A	Sixth Form Funding 2018/19 Assurance Statement	29/10/2019
Schools	Childrens Services	Good	Trinity All Saints CE Primary School	24/07/2019
Significant Systems	Chief Executive	Excellent	Ethical Governance (Members)	29/04/2019
Significant Systems	Chief Executive	Good	Partnership Governance	04/10/2019
Significant Systems	Childrens Services	Partially Effective	Controcc Financial Management System - Post Implementation Review	01/08/2019
Significant Systems	Dept of Place	Good	Bereavement Services Income	15/11/2019
Significant Systems	Dept of Place	Good	Car Parking Income	18/03/2020
Significant Systems	Health & Wellbeing	Partially Effective	Deferred Payment for Care	05/02/2020
WYPF	Chief Executive	Good	Review of West Yorkshire Pension Fund 2018/19 Accounts	11/07/2019
WYPF	Chief Executive	Partially Effective	West Yorkshire Pension Fund Accuracy of Contributions Recorded on Member Records	10/02/2020
WYPF	Chief Executive	Excellent	West Yorkshire Pension Fund Admission of New Bodies	07/02/2020

WYPF	Chief Executive	Excellent	West Yorkshire Pension Fund Annual Benefit Statements	31/03/2020
WYPF	Chief Executive	Good	West Yorkshire Pension Fund Information Governance and General Data Protection Regulation	08/05/2019
WYPF	Chief Executive	Good	West Yorkshire Pension Fund New Pensions and Lump Sums Normal and Early Retirements	09/10/2019
WYPF	Chief Executive	Good	West Yorkshire Pension Fund New Transfers In	15/10/2019
WYPF	Chief Executive	Partially Effective	West Yorkshire Pension Fund Transfer of Data	10/06/2019
WYPF	Chief Executive	Excellent	West Yorkshire Pension Fund Treasury Management 2019/20	18/12/2019
WYPF	Chief Executive	Excellent	West Yorkshire Pension Fund UK and Overseas Equities 2019/20	09/03/2020
WYPF	Chief Executive	Good	West Yorkshire Pension Fund UK and Overseas Private Equities	13/06/2019
WYPF	Chief Executive	Good	West Yorkshire Pension Fund UK and Overseas Unit Trusts (Property and Other)	03/03/2020
WYPF	Chief Executive	Excellent	West Yorkshire Pension Fund UK Fixed and Linked Public and Corporate Bonds	06/09/2019

Appendix B

Amendments to the 2019/20 Audit Plan

Below is a list of audits that were added or deleted from the 2019/20 Audit Plan over and above those that were reported to GAC in the Internal Audit Monitoring Report on 28 November 2019. Where an audit was removed from the Plan a reason has been given as to why this was.

Also shown, in the final column, is a list of 2019/20 planned audits that were ongoing as at 31.3.20.

Additional unplanned audit work commenced / done in 2019/20	Planned audit work proposed not doing in 2019/20	Reason	2019/20 Planned Audits Ongoing as at 31.3.20	
Changes to the Cash Collection & Delivery	Miscellaneous Payments	Not priority audit. Not done due to resource constraints.	Payment of Feeder Files	Review of Drainage Maintenance Contract Award
Review of Drainage Contract Award	Performance Management	Not priority audit. Not done due to resource constraints.	Final Accounts Review	Regeneration Grants/Loans/Business Rates Relief
Calculation of Mortuary Drivers Overtime	Education Attendance Traded Service	Not priority audit. Not done due to resource constraints.	Flexitime/Time-recording by Departments	Trade Refuse and Recycling Income
Covid 19 Business Grants	Travel Assistance	Not priority audit. Not done due to resource constraints.	Third Party Payments	Covid19 Business Grants
Vulnerability Management	Health & Wellbeing Departmental Risk Management	Not priority audit. Not done due to resource constraints.	Procurement Processes (Quotes, Tenders,, Contract Award)	Childrens' Safeguarding Incident (Strategic Risk)
	Waste Management	Not priority audit. Not done due to resource constraints.	Out of Authority Placements	Vulnerability Management
	Information Security Strategic Risk	Prioritised Trade Refuse and Recycling Income audit due to resource constraints.	Continuing Healthcare	Ley Top Primary School
	Capital Schemes	Not priority audit. Not done due to resource constraints. Deferred until 2020/21	Council Wide GDPR	Wibsey Primary School
	Better Care Fund	Not priority audit. Not done due to resource constraints.	Fostering	Custodial Procurement and Transfer of Custodial Arrangements
	Bank Reconciliation / Unallocated Cash	Not priority audit. Not done due to resource constraints..	Post 16 Placements	GLIL
			Changes to the Cash Collection & Delivery	Supplier Maintenance
			Health & Safety	Agency Spend