

Report of the Director of Finance and IT to the meeting of the Governance and Audit Committee to be held on 22 July 2021.

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Subject:

INTERNAL AUDIT ANNUAL REPORT 2020/21

Summary statement:

This report reviews the service Internal Audit has provided to the Council during the financial year 2020/21.

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Portfolio

Corporate

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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 2020/21.

In particular Members are advised of the following:-

- Internal Audit completed 65% of the 2020/21 audit plan which was below the target of 90%.
- Internal Audit's Client satisfaction identified that 94% of the respondents said that the "recommendations were useful and realistic" and believed that the audit was "of benefit to management."
- 98% 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 2020/21 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 2020/21 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 2020/21.
- 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 2020/21.

12. APPENDICES

Appendix 1 – Internal Audit Annual Report 2020/21.

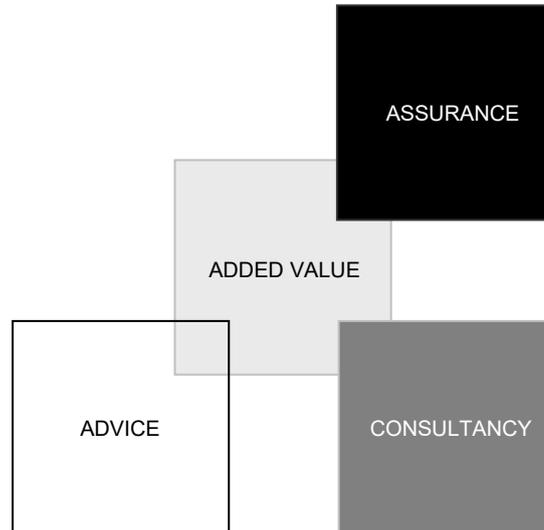
13. BACKGROUND DOCUMENTS

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 25 June 2020 – Internal Audit Plan 2020/21.
- 13.5 GAC report 21 January 2021- Internal Audit Plan 2020/21 Monitoring Report as at 30 November 2020.

INTERNAL AUDIT ANNUAL REPORT 2020/21



INTRODUCTION

The aim of this report is to provide information on the activities of Internal Audit during the financial year 2020/21 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

July 2021

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 2019/20 (GAC 17th September 2020)
- Internal Audit Plan 2020/21 (GAC 25th June 2020)
- Internal Audit Plan 2020/21 Monitoring Report as at 30 November 2020 (GAC 21st January 2021)

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 1,839 audit days (7.1 FTE) were planned for 2020/21 which was significantly less than the 2,505 days (9.6 FTE) available in 2019/20. The net decrease was due to Internal Audit capacity being deployed in support of the Council's response to the Covid 19 pandemic in the first three months of 2020/21. Internal Audit's planned capacity for 2020/21 was subsequently reduced in year by 400 days to 1,439 days, due to its continued support of the Council's response to the Covid 19 pandemic throughout 2020/21. Internal Audit staff remained deployed to identify and assess business support grant applicants and also assisted Public Health with outbreak monitoring.

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 2020/21 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 2020/21 was approved by GAC on 25 June 2020 and was based on 1,839 days of audit resources for the nine month period 1 July 2020 to 31 March 2021. The Internal Audit Plan was suspended from 1 April 2020 to 30 June 2020

as Internal Audit capacity was deployed in support of the Council's response to the Covid 19 pandemic. The Internal Audit Monitoring Report presented to GAC on 21 January 2021 noted that after taking into account its audit provision to West Yorkshire Pension Fund and the management of insurance and risk management, Bradford Council were planned to receive 1,551 audit days in 2020/21. Actually Bradford Council received 400 days (26%) less than planned, receiving 1,151 audit days due to Internal Audit's continued support of the Council's response to the Covid 19 pandemic throughout 2020/21.

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 2020/21, Internal Audit achieved 65% of the original plan. This was due to additional Internal Audit capacity being deployed since 1 July 2020 to support the Council's response to the Covid 19 pandemic and the limitations of remote working.

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 2020/21 a total of 69 reports were issued (61 reports in 2019/20).

The reports issued in 2020/21 recorded that the percentage of controls satisfied was 70%, a decrease of 1% on the 71% satisfied in 2019/20, and is 3% below the five year average of 73% 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 2019/20 the service continued to focus on and require responses only in relation to high priority recommendations. 98% 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 2020/21 by audit type is shown in Appendix A.

Chart One: Showing the Breakdown of Total Reports Produced in 2019/20 and 2020/21 by Audit Type

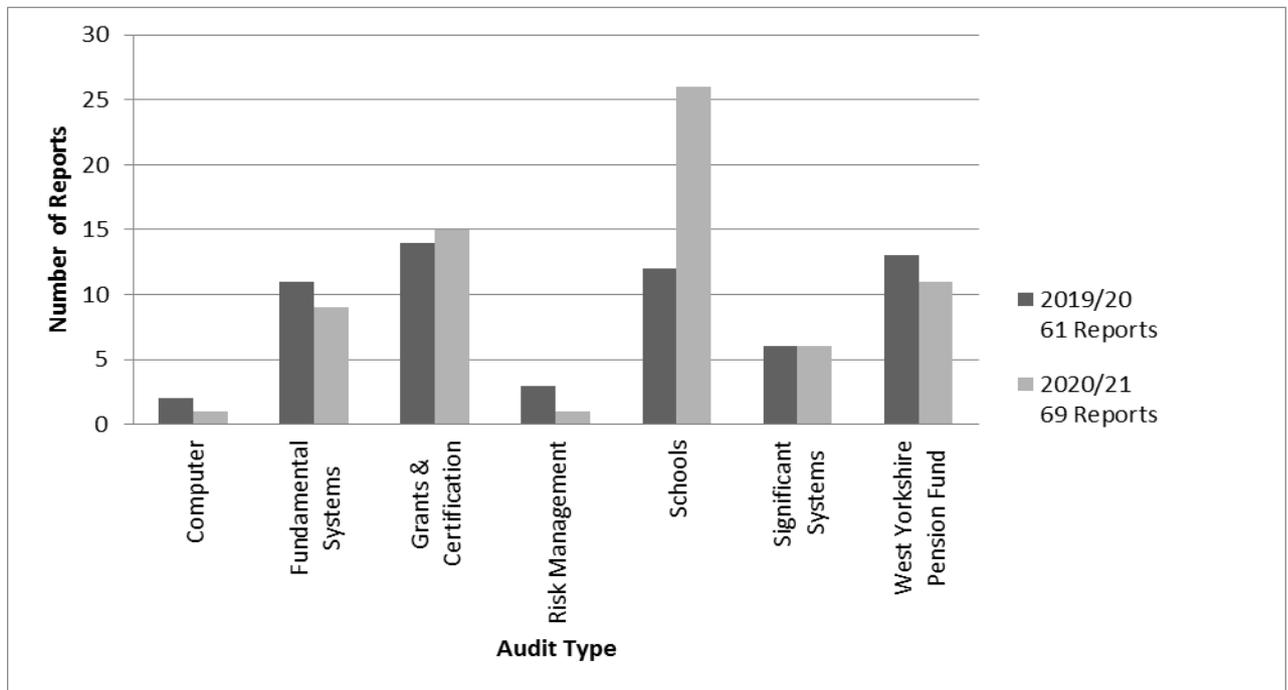
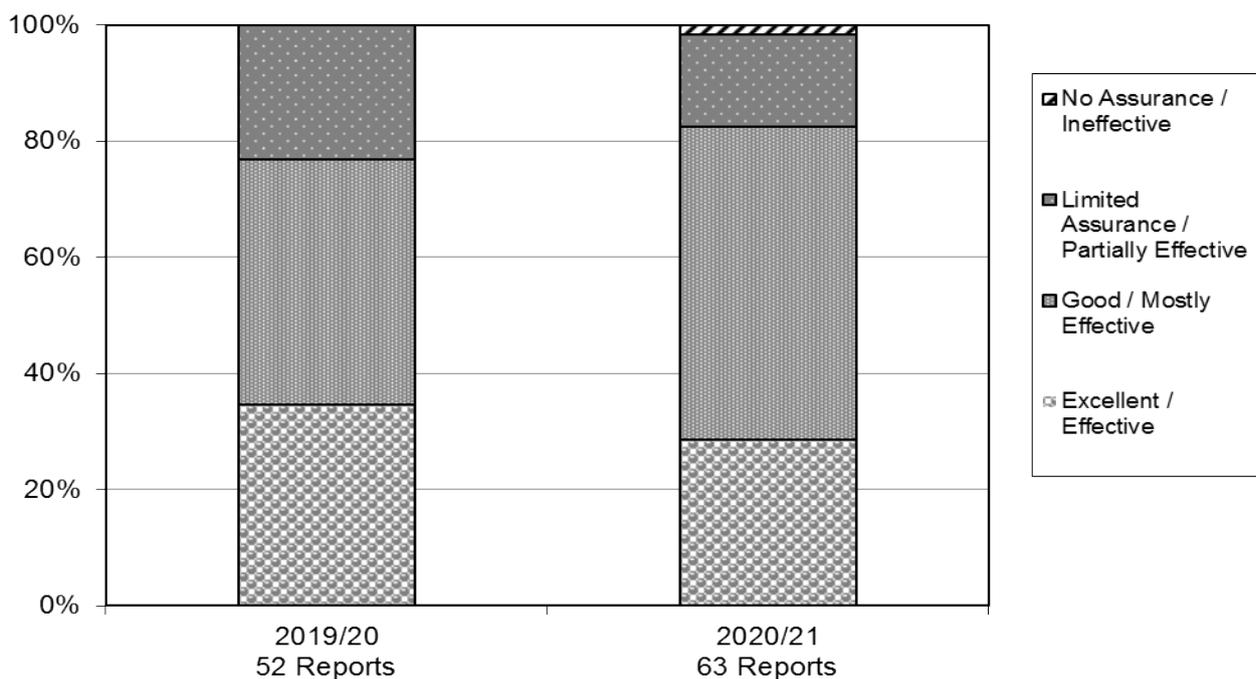


Chart One also shows that in comparison to 2019/20 there was an increase of 14 school reports issued in 2020/21. This increase is mostly due to Internal Audit changing its audit approach to school financial audits in 2020/21 to delivering them remotely, based on a reduced targeted work programme, enabling more schools to be audited than in previous years (see 2.9 for more details on school audits).

Chart Two, below, shows that, from the evaluation of risks and controls in 2020/21, 83% of the systems examined had either an ‘excellent’ or ‘good’ audit opinion, which was an increase on 2019/20 (77%). The ‘good’ opinion remained the most dominant opinion in 2020/21 at 54%.

Chart Two: Breakdown of Audit Opinions 1 April 2019 to 31 March 2021



The analysis above relates to those reports with opinions. In 2020/21 63 (91%) out of 69 issued reports had an audit opinion, which is an increase on the 52 (85%) out of 61 issued reports in 2019/20.

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 2020/21 9 fundamental systems reports were issued. This was a slight decrease on the 11 reports issued in 2019/20.

There was one partially effective opinion relating to Payroll Third Party Payments. Of the remaining 8 fundamental system audits, 3 had 'Excellent', 4 had 'Good' audit opinions and 1 had no opinion.

The Payroll Third Party Payments audit gave a partially effective opinion due to robust reconciliation routines not being fully in place within Payroll for all payroll deduction types; year-end balances were not reconciled and explained, which could lead to errors not being identified and corrected; there was no all-encompassing process in place to examine and explain previous year historical balances, which could mean that identifiable assets, liabilities or errors are not recognised and addressed.

Internal Audit are monitoring a potentially significant issue regarding the accounting of income received through the Capita System and posted to the SAP ledger. This came to light in early 2021/22 following Internal Audit queries regarding the posting of income in the ledger as part of a Council Tax audit. As at June 2021 these have yet to be resolved.

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. 2019/20 was made in accordance with the Grant Determination Letter from the funding body. The number of grants requiring Audit certification in 2020/21 was 12 with a total of 15 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 3 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 2020/21. 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 2020/21 are shown below:

The audit of Post 16 Placements gave a partially effective opinion due to concerns that duplicate payments were occurring due to two payments systems being used, with no checks performed to ensure that the same invoices were not paid through both systems; the monitoring of high cost placements only included those placements identified at the start of the financial year and did not include any new high cost placements occurring in year; there was no quality assurance framework for providers in place, which may lead to a young person being placed in unsuitable accommodation.

The audit review of Fostering, In House Foster Carers gave a 'good' audit opinion and raised two high priority recommendations. The report highlighted concerns that management do not currently receive information on the status of carer checks performed and therefore they do not have assurance that all of the required safeguarding checks on carers have been undertaken. There is an ongoing issue of social workers not updating the LCS with key dates in a timely manner, leading to late payments or overpayments being made to foster carers.

The Council wide GDPR/Information Governance review raised 13 high priority recommendations for improving control of the following risks: information is collected without purpose; information is held for excessive periods of time; there is a lack of clarity as to how information will be used; Information is mishandled; Privacy Notices are incomplete or non-existent; Data sharing agreements do not cover the Department's requirements. Management agreed with all of the recommendations and had implemented some at the time the audit report was issued.

2.6 Value Added

Internal Audit, where possible, adds value in the work that it undertakes. The following is a sample of instances during 2020/21 where value has been added.

Audit Work	Brief Explanation of Savings Identified or Value Added
Continuing Health Care	The audit of Continuing Health Care (CHC), which was jointly performed with the CCG auditors, Audit Yorkshire, identified a number of key areas for improvement relating to the governance framework in which CHC operates, monitoring and oversight of CHC activity and the reliability of data, elements of the National CHC Framework that are not being met, IT systems to support the CHC framework and timeliness of invoice checks and payment.

Post 16 Placements	The audit of Post 16 placements reviewed the systems and processes for selecting, approving, monitoring and reviewing placements including the use of contracted accommodation. The audit review gave a 'partially effective' audit opinion and raised 6 high priority recommendations. The recommendations made in this report will reduce the numbers of potential duplicate payments being made, improve monitoring of high cost placements and provide assurance that young people are placed in suitable provision. Implementing recommendations and improving invoice processing checks will significantly reduce financial loss.
Schools Remote Audit Approach	Successfully developed and implemented the remote audit approach for schools in 2020/21. This enabled schools to be audited in the year when on site audits were not possible due to Covid 19 and for greater audit coverage of schools than in previous years, including some schools that had not been reviewed for a significant number of years. The remote audit approach is planned to be used in 2021/22 and in future years.

2.7 Significant Concerns

There was one significant area of concern raised in 2020/21. The Ley Top Primary school audit report issued 1 July 2020 gave an ineffective opinion due to general non-compliance with financial rules and governance requirements. The recommendations in this report have subsequently been followed up, as part of the 2021/22 audit plan, and it was reassuring to find that as at June 2021 all 19 high priority recommendations have been progressed, 16 fully implemented and 3 partially implemented.

In the 2019/20 Annual Report a concern was raised in a critical recommendation that a software supplier failed to deliver, for two years, an effective direct debit facility for the trade waste service. The current position is that a new supplier has been contracted with and the direct debit facility is to be installed for the start of the 2022/23 financial year. Whilst previously this would have been viewed as critical the impact of the Pandemic on local businesses has reduced the consequences of the delay.

2.8 Follow Up of Audit Recommendations

It has been the intention of Internal Audit to follow up on the progress of implementing recommendations on a more frequent basis than the annual update which used to take place, however due to the pandemic this did not occur. There was some follow up activity in January 2021 but the majority of follow up work commenced in April 2021, when work began to ascertain the current status of all High Priority recommendations not previously confirmed as implemented, in audit reports issued up to the end of December 2020.

Wherever possible the follow up enquiries are made by the auditor who made the original recommendation so that they are able to discuss and challenge the information received, and, where practical, evidence is obtained to support stated actions.

In total 232 recommendations were included in the follow up. To date just over half of these recommendations (117) have been reported as fully implemented with a further

17% (40) being partially implemented. Only 5 recommendations are reported to have had no progress in implementation, however there are just over a quarter of recommendations where the current status has yet to be determined, mostly as a result of ongoing discussions between auditors and the managers responsible for putting the recommendations in place. These discussions will continue until a current status has been established for each recommendation. There were also 10 recommendations which were deemed no longer relevant as follow up audits had taken place and the findings and recommendations of these have or will supersede the original recommendations.

It is usual practice to include follow up, or repeat audits within the audit plan, to confirm that required improvements are being made in line with agreed action plans, and these audits often focus on areas which resulted in partially effective or ineffective audit opinions. Both follow up audits included within the 20/21 audit plan commenced but were not concluded within that year. One relates to The Accuracy of Contributions Recorded on Member Records within the West Yorkshire Pension Fund and initial findings suggest that all recommendations have been partially implemented. The second relates to Direct Payments within Health and Wellbeing and further details of the outcome of this audit are given in section 2.18 of this report.

A summary of the current position in implementing recommendations by department is given in the table below:

Department	Total of Recommendations Included in the Follow Up	Status as at June 2021				
		Fully Implemented	Partially Implemented	No Progress	No Longer Relevant	Still to be determined
Chief Executive	15	7	2	-	6	-
Children's Services	112	84	22	-	-	6
Corporate Resources	46	19	8	5	-	14
Health & Wellbeing	41	3	8	-	4	26
Place	18	4	-	-	-	14
Total	232	117	40	5	10	60

2.9 Schools

In the financial year 2020/21, 26 reports relating to schools were issued and a new approach to delivering school audits was implemented in response to the Covid19 pandemic.

a) Reports issued

A chronological breakdown of the reports is as follows;

- the first two reports related to individual school audits that had been undertaken by visit prior to the onset of the pandemic in March 2020, but where the issue of the final report had been delayed. Both included recommendations to improve the

control environment and had opinions of Good and Ineffective, the latter referred to in 2.7 above

- the third report related to a review and update of the Council's document Scheme for Financing Schools resulting from an update to the Department for Education's (DfE) National Scheme
- the fourth report was an analysis of school's self-assessment returns relating to the School's Financial Value Standard (SFVS) process for 2019/20, which is referred to in more detail below
- the fifth and sixth reports resulted from the investigation of concerns regarding the recent award of a catering contract by a primary school; one report being issued to the source of the concern and the other report to the school itself
- the seventh report was to the Director of Finance, providing an analysis of school's self-assessment controls checklists relating to 'Stage 1' audit activity, which is referred to in more detail below
- the eighth report related to sixth form funding assurance to the DfE for funds received 2019/20, which is referred to in more detail below
- reports nine to 26 were issued to 18 individual schools reporting the outcome of 'Stage 2' detailed audit testing, which is referred to in more detail below. All reports included recommendations to improve the control environment. 15 reports had the audit opinion of Good and three Partially Effective

As maintained school numbers continue to reduce, the position regarding academy conversions will continue to be monitored throughout 2021/22 to ensure audit resources are focussed appropriately in the context of this changing landscape.

b) New approach to delivering school audits

Limited access to school premises resulting from the response to Covid-19 caused Internal Audit to change its audit approach to one involving remote working with a two stage process. This was developed and successfully implemented in the second half of 2020/21.

Internal Audit's changed approach to providing assurance that Council maintained schools were managing their finances effectively, initially involved issuing schools with a self-assessment checklist (Stage 1), to examine 21 expected controls, associated with six key system areas. These expected controls, which are the same as those that are considered during an on-site full school audit, enabled each school to assess its own current day to day financial practices. 72 self-assessment checklists were issued, all of which were fully completed, signed and returned (100% returns).

The next phase of the remote audit approach involved a number of schools being selected, based on factors that identified them as presenting higher financial risk, such as the level of support needed from the Council's School Funding Team, work undertaken by School Improvement in Children's Services, or other relevant information known about a school, including the date of its last audit. A more detailed audit programme was then undertaken remotely (Stage 2), focusing on three of the six key system areas, considered the most financially significant; Governance and accountability, Purchasing and payments, and Payroll. Each school was requested to provide specified documentation to enable this to occur. In 2020/21, 20 schools were selected for detailed testing and as stated above, 18 final reports were issued. Two additional draft reports were also issued, and these will be finalised early in the 2021/22 financial year. A similar number of schools is planned to be selected and remotely audited in 2021/22.

c) 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. As at 31st March 2020, 12 had not been returned.

Internal Audit were always of the opinion that all missing returns were of value and were pursued until all expected were obtained.

It is the case that the DfE has re-instituted the requirement for maintained schools to supply SFVS returns for 2020/21 but with an extended deadline of the 28th May 2021. By this date, 83 maintained schools had supplied a return to the Council (80 from 81 expected, and 3 from 6 unexpected, due to applicable exceptions). Further analysis is planned to assess the quality of the content of a sample of the 99% expected returns received. The one return not yet received from the 81 expected will be pursued until it is obtained.

The SFVS scheme also places a requirement on the Council's Director of Finance & IT, as S151 officer, to have in place a system of audit for schools which gives adequate assurance over standards of financial management and to consider SFVS returns received when setting the audit plan for schools. The numbers of returns received by the deadline also informs an annual position statement declared by the Director of Finance & IT to the DfE. The deadline for this statement is usually at the end of May each year (although suspended last year), but has been extended to 9th July 2021 for the 2020/21 SFVS returns. There is an allocation of time within the audit plan for analysis of the assessments received in order to inform this year's school audit plan and also to provide additional financial management assurance.

Completion of the SFVS is the responsibility of individual schools, however there is an allocation of time within the audit plan to provide schools with training support on the consideration and completion of their SFVS assessments. This has historically proved to be an effective use of audit resources as good practice on financial management principles can be disseminated to many schools during one training session but this was not possible in 2020/21, other than by traditional remote methods of communication on an individual school basis. Positive feedback has been received from delegates on training delivered previously and it is hoped that effective mass training can be re-introduced in 2021/22. It is anticipated that there will be a demand for this training as the current SFVS scheme is still relatively new to schools, being introduced by the DfE during 2019.

d) Sixth Form Funding Assurance

Internal Audit provided a high level assurance piece of work in relation to sixth form funding for 2019/20 totalling £7m, 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

Computer Audit services are provided to Bradford Council by Salford Council who provide Computer Audit for a number of Councils and organisations, predominantly in the North West, and have a concentration of staff with specific computer audit skills.

In 2020/21 one audit report was produced in this area relating to the Payment Card Industry Data Security Standard. This is a set of mandatory requirements established to ensure the security of payment card transactions within organisations that handle such transactions. Bradford Council relies on being able to process payment card transactions in order to meet its business objectives, therefore it is essential that the council complies with these standards. In addition failure to comply can result in fines or the withdrawal from being able to use card payment services.

The audit concluded that PCI DSS within the council was, in the main, well controlled with four recommendations made to improve and enhance the current framework.

2.11 Risk Management

One Internal Audit report was issued in 2020/21 on the risk management of the Strategic Risk Children's Safeguarding Incident. This report determined that the control environment was good.

2.12 Governance

The Annual Governance Statement must be supported by evidence which details how the Council operates in accordance with good practice and proper administrative safeguards. This year Council Management Team have decided to take a much broader view with a newly designed management assurance questionnaire which covers the following areas.

- Employee Code of Conduct
- Whistleblowing
- Harassment and Bullying
- Gifts and Hospitality
- Safeguarding
- Risk Management
- Information Governance
- Internal / External Assessments
- Partnership Working
- Constitution and Decision Making
- Health and Safety
- Financial Systems
- Contract Procedure Rules
- Business Impact Analysis / Business Continuity Arrangements
- Sickness
- Corporate Parenting

Council Management Team have agreed that this is compulsory for all 4th Tier Managers. This process is currently taking place, the results of which will be reported on, to the Governance and Audit Committee in September 2021.

2.13 West Yorkshire Pension Fund

During 2020/21, Internal Audit carried out a variety of audits within WYPF. These included:

- **Transfer of Custodial Arrangements** – This piece of work looked at the high level controls in place to manage the transfer of assets to the new custodial provider, the Northern Trust Bank. No issues were identified as a result of this audit.
- **Pensioners Payroll** – The pensioner's payroll process was reviewed, the majority of these payments are made, mainly on a monthly basis, to almost 141,000 pensioners. The process was found to be well controlled and did not result in any recommendations being made.
- **New Pensions and Lump Sums Flexible Retirements** – This audit examined the calculation of the annual pension and the lump sum following a member's decision to retire on a flexible basis. The standard of control in this process was found to be good, with two recommendations for improvement being made.
- **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 pension scheme. The control environment was found to be of an excellent standard with no recommendations arising from the work carried out.
- **Review of the West Yorkshire Pension Fund 2019/20 Accounts** – This is an annual account review process, that ensures the final account is consistent with internal control reviews carried out by our Internal Audit Team during the year.
- **New Pensions and Lump Sums Fire and Rescue Authorities** – West Yorkshire Pension Fund provides an administration service for the payment of nineteen fire and rescue authority pensions. This audit examined the calculation of the annual pension and the lump sum following a Fire Pension member's decision to retire. The control environment was largely as required resulting in one recommendation for improvement.
- **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.
- **GLIL** – This is an infrastructure investment partnership, which in addition to WYPF also includes the Local Pension Partnership, Lancashire County, Greater Manchester and Merseyside Pension Funds, under a partnership agreement. The audit focussed on the risks associated with investment through this partnership and resulted in one recommendation for improvement.

- **Compliance with Investment Advisory Panel Decisions and Policies** – This audit looks to ensure that investments are made in compliance with the decisions of the Investment Advisory Panel and in accordance with WYPF Policies. Only one issue was identified with this process requiring a recommendation.
- **Verification of Assets** – This audit assists in ensuring that the assets held by the West Yorkshire Pension Fund are as expected, the work undertaken also built on the high level audit of the Transfer of Custodial Arrangements. The control environment was largely as expected with two areas of weakness identified which resulted in recommendations for improvement.

2.14 Changes to the 2020/21 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 has 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 2020/21 Audit Plan over and above those that were reported in the Internal Audit Monitoring Report presented to GAC on 21 January 2021 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 2020/21 planned audits that were ongoing as at 31.3.21.

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 and Risk Management arrangements.

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. 94% 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 recommendations were useful and action against all recommendation are in progress and/or completed.

This was an unusual audit due to the corona pandemic but felt that under the circumstances it was carried out professionally;

I found the process very useful, if a little daunting at first as I was only looking at the negatives and not thinking about what we are doing well. The auditor was very understanding and took the time to explain the process to me. Please pass on my thanks for her help and support.

The auditor worked well with Admin and other staff, with realistic expectations on them which led to a smooth process. The auditor was the consummate professional and a credit to your team.

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 81% of reports were issued within three weeks of finishing on site, which is in line with the target of 80%. 93% of final reports were issued within a week of agreement with management, which is above the target of 90%.

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. The following table details the 2020/21 QAIP and details progress against each

Item	Description	Progress
Internal Audit Skills	Development of Staff's Internal Audit Skills to meet future service demands.	Whilst the development of specific Internal Audit Skills has been limited, Staff's ability to adapt to the new working arrangements is an important development and support to other services Accountancy, Business Grants and Outbreak Control has significantly broadened Teams skills and experience.
Internal Audit Planning	Review content of Internal Audit Plan to cover new risks that haven arisen through the direct and indirect effects of the Pandemic.	Internal Audit Plan for 21/22 approved by Governance and Audit Committee which incorporates the new risks that the Council is responding too.
Schools Audit	Review audit approach for maintained schools if required to be audited every 3 years.	The move to home working and School self assessment has seen a fundamental shift in the Internal Audit approach to Schools which has been successfully implemented.
Internal Audit Efficiency	Improvements to the timeliness of audit reports and to increase the average number of audits undertaken by each auditor.	Response to Pandemic has limited the opportunity of a structured approach but home working has seen some streamlining of working practices.

Internal Audit Consultancy	Develop an approach to enable to support services with consultancy advice.	This has been put on hold as the Council responds to the Pandemic. May look to develop links with transformational change agenda.
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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 2020/21 the normal availability of opportunities and events has been limited, however the increased access of virtual and online training has been taken advantage of. Staff's ability to adapt to the new working arrangements is an important development and support to other services Accountancy, Business Grants and Outbreak Control has significantly broadened Teams skills and experience. The Service's Internal Audit Trainee has commenced their Institute of Internal Audit qualification.

2.18 Direct Payments

On the 11th June 2021 Internal Audit issued its third consecutive direct payments audit report that concluded with an 'ineffective' audit opinion. The audit reviewed the level of progress made in actioning the concerns and recommendations previously reported on in the 6th March 2019 audit report. The most significant concern in this report was that direct payment financial audits were overdue for 420 (40%) service users as at January 2019, which was the same rate of backlog as previously reported in 2016 and 2018. This subsequently lead to the Council's Management Team agreeing the Direct Payments Improvement Plan on the 13th November 2019, which included case prioritisation based on the time since the last audit and the value of the weekly payment.

The audit report issued on the 11th June 2021 reported that there is still not adequate control of direct payments as there is not yet a robust performance management framework in place, the backlog of financial audits has increased in number since the last audit, from 420 to 533, financial audits performed are no longer selected and prioritised based on risk, and concerns with the data being used that resulted in high priority audits not being identified. This is of significant concern to Internal Audit and it is planned that the situation will be kept under review during 2021/22. Internal Audit acknowledge that, although the audit opinion remains 'ineffective', there have been system and process changes, and since the audit concluded, additional staff resources have been recruited. These changes once fully established and embedded should aid the implementation of Internal Audit recommendations and delivery of an improved audit opinion in subsequent internal audit reviews.

2.19 Covid 19 Response

During the current Covid Crisis Internal Audit resources have been, and continue to be, deployed to assist the Council's Covid 19 response. Internal Audit has supported Revenues and Economy & Development in the process design of Business Grants, contacted businesses to assist in the take up of available business support grants, evaluated and processed claims for financial support and assisted in post payment assurance. In addition, Internal Audit has advised Procurement on how to deliver supplier relief, given support to Accountancy and has assisted Public Health with outbreak monitoring.

Whilst the objective of all Internal Audit work is to focus on the effectiveness of governance arrangements there were a several pieces of work which focused on the Council's emergency arrangements. This included the audit of the purchase of protective equipment, the audit of the Income Compensation grant, the monitoring of Council Management Team papers and the ongoing review of Gold, Silver and Bronze documentation.

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.

It should be noted that the scope of Internal Audit's work was restricted during the year due to the limitations of home working arrangements, and the need for both Internal Audit and Service to prioritise the Council's response to Covid 19. This meant that planned audit coverage of some fundamental systems was not as intended and in the case of Business Rates no coverage was possible at all due to the need to process Business Support Grants.

Details of the Audit Reports Issued in 2020/21 by Audit Type

Audit Category	Client	Opinion	Title	Final Report Issue Date
Computer Audit	Corporate Resources	Good	PCI DSS Compliance	08/02/2021
Fundamental Systems	Corporate Resources	N/A	Changes to Cash Collection Service	22/04/2020
Fundamental Systems	Corporate Resources	Excellent	Certification of Payroll Contributions	26/05/2020
Fundamental Systems	Corporate Resources	Good	PPE Procurement	04/11/2020
Fundamental Systems	Corporate Resources	Good	Agency Spend	09/12/2020
Fundamental Systems	Corporate Resources	Excellent	Accounts Receivable Key Controls	13/01/2021
Fundamental Systems	Corporate Resources	Excellent	Supplier Relief Review	03/02/2021
Fundamental Systems	Corporate Resources	Partially Effective	Payroll Third Party Payments	17/02/2021
Fundamental Systems	Corporate Resources	Good	Bradford Council Treasury Management Post COVID-19	01/03/2021
Fundamental Systems	Corporate Resources	Good	Payroll Controls Assurance	23/03/2021
Grants	Children's Services	Good	Troubled Families Phase 3 Outcome Plan April 2020	24/04/2020
Grants	Place	Excellent	Cycle City Ambition Grant	25/06/2020
Grants	Place	Excellent	Pot Hole Funding Grant 2019/20	25/06/2020
Grants	Place	Excellent	West Yorkshire Plus Transport Fund Grant 2019/20	25/06/2020
Grants	Place	Excellent	West Yorkshire Combined Authority Local Transport Block Funding 2019/20	25/06/2020
Grants	Children's Services	Good	Troubled Families 2020/21 - Claim 1	30/06/2020
Grants	Place	Excellent	Urban Traffic Management Control Centre Element A Grant Funding	19/08/2020
Grants	Place	Excellent	Local Highway Maintenance Funding 2019/20	24/08/2020
Grants	Place	Excellent	National Productivity Investment Fund 2019/20	28/08/2020
Grants	Children's Services	Excellent	Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant 2019/20	25/09/2020
Grants	Children's Services	Good	Troubled Families 2020/21 - Claim 2	28/09/2020
Grants	Place	Effective	Disabled Facilities Grant 2019/20	30/11/2020
Grants	Children's Services	Good	Troubled Families 2020/21 - Funding Quarter 3 2020/21	04/01/2021
Grants	Children's Services	Good	PE & Sport Grant 2020	23/02/2021
Grants	Place	Satisfactory	Highways Emergency Active Travel Fund - Tranche 1 Grant	23/03/2021

Risk Management	Children's Services	Good	Strategic Risk Management - Children's Safeguarding Incident	29/07/2020
Schools	Corporate Resources	N/A	Amendments to Scheme for Financing Schools	22/04/2020
Schools	Children's Services	Good	Wibsey Primary School	08/06/2020
Schools	Children's Services	Ineffective	Ley Top Primary School	01/07/2020
Schools	Children's Services	N/A	Concerns Regarding Knowleswood Primary School Catering Contract	06/08/2020
Schools	Children's Services	N/A	Analysis of SFVS Returns 2020	28/09/2020
Schools	Children's Services	N/A	Knowleswood Primary School Catering Contract	16/10/2020
Schools	Children's Services	Satisfactory	6th Form Funding Assurance Statement 2019-20	21/10/2020
Schools	Children's Services	Satisfactory	School Audits 2020 Stage 1 Checklist Analysis	11/11/2020
Schools	Children's Services	Good	Bingley Grammar School 2020/21	09/11/2020
Schools	Children's Services	Good	Titus Salt School 2020/21	30/11/2020
Schools	Children's Services	Good	Foxhill Primary School	08/12/2020
Schools	Children's Services	Partially Effective	Peel Park Primary School	14/12/2020
Schools	Children's Services	Good	Fagley Primary School	18/01/2021
Schools	Children's Services	Good	Carrwood Primary School	26/01/2021
Schools	Children's Services	Good	Poplars Farm Primary School	01/02/2021
Schools	Children's Services	Good	Worthinghead Primary School	04/02/2021
Schools	Children's Services	Good	St. Bede's and St. Joseph's Catholic College	08/02/2021
Schools	Children's Services	Partially Effective	Myrtle Park Primary School	10/02/2021
Schools	Children's Services	Good	Chellow Heights School	12/02/2021
Schools	Children's Services	Good	Cavendish Primary School	05/03/2021
Schools	Children's Services	Good	Hoyle Court Primary School	09/03/2021
Schools	Children's Services	Good	St. Luke's CE Primary School	09/03/2021
Schools	Children's Services	Partially Effective	Keighley St. Andrew's CE Primary School	10/03/2021
Schools	Children's Services	Good	Ingrow Primary School	25/03/2021
Schools	Children's Services	Good	Riddlesden St. Marys CE Primary School	24/03/2021
Schools	Children's Services	Good	Knowleswood Primary School	26/03/2021
Significant	Children's	Partially	Post 16 Placements	08/10/2020

Systems	Services	Effective		
Significant Systems	Children's Services	Good	Fostering - In House Foster Carers	16/10/2020
Significant Systems	Corporate Resources	Partially Effective	GDPR - Council Wide Combined Audit Report	19/11/2020
Significant Systems	Health & Wellbeing	Partially Effective	Continuing Health Care	18/11/2020
Significant Systems	Children's Services	Good	External Purchased Placements - LAC	05/03/2021
Significant Systems	Children's Services	Excellent	Early Years Education and Childcare	25/03/2021
West Yorkshire Pension Fund	Chief Executive	Excellent	West Yorkshire Pension Fund Transfer of Custodial Arrangements	01/07/2020
West Yorkshire Pension Fund	Chief Executive	Good	West Yorkshire Pension Fund - GLIL	30/07/2020
West Yorkshire Pension Fund	Chief Executive	N/A	WYPF Review of Accounts 2019/20	28/09/2020
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF - Transfers Out	07/10/2020
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF - Pensioners Payroll	17/11/2020
West Yorkshire Pension Fund	Chief Executive	Good	WYPF New Pension & Lump Sums Flexible Retirements	30/11/2020
West Yorkshire Pension Fund	Chief Executive	Good	WYPF New Pension & Lump Sums Fire Services	17/12/2020
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF - Treasury Management	18/01/2021
West Yorkshire Pension Fund	Chief Executive	Good	WYPF Compliance with IAP's Decisions and Policies	22/02/2021
West Yorkshire Pension Fund	Chief Executive	Good	WYPF Verification of Assets	01/03/2021
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF UK & Overseas Equities	29/03/2021

Appendix B

Amendments to the 2020/21 Audit Plan

Below is a list of audits that were added or deleted from the 2020/21 Audit Plan over and above those that were reported to GAC in the Internal Audit Monitoring Report on 21 January 2021. 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 2020/21 planned audits that were ongoing as at 31.3.21.

Additional unplanned audit work commenced / done in 2020/21	Planned audit work proposed not doing in 2020/21	Reason	2020/21 Planned Audits Ongoing as at 31.3.21	
Income Compensation Scheme for lost sales, fees and charges	Accounts Payable Assurance	Not priority audit. Not done due to resource constraints. Deferred until 2021/22	Payment of Feeder Files	Supplier Maintenance
Active Travel Grant Tranche 1	NNDR Assurance	Not done due to service resource constraints with the distribution of Business Support Grants the priority.	Final Accounts Review	Council Tax Assurance
	Benefits Assurance	Not priority audit. Not done due to resource constraints. Deferred until 2021/22	Procurement Processes (Quotes, Tenders, Contract Award)	Emergency Governance Arrangements
	Budgetary Control & General Ledger	Not priority audit. Not done due to resource constraints. Deferred until 2021/22	School Funding Allocation	Regeneration Grants/Loans/Business Rates Relief
	Health & Safety	Not done as Auditor deployed on Business Grants. Deferred until 2021/22	Direct Payments Follow Up 20/21	Farfield Primary
			Saltaire Primary School	Accuracy of Contributions Recorded on Member Records
			ISAE 3402 Assurance Standard	