

Report of the Director of Finance and IT to the meeting of the Governance and Audit Committee to be held on 14 July 2022.

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Subject:

INTERNAL AUDIT ANNUAL REPORT 2021/22

Summary statement:

This report reviews the service Internal Audit has provided to the Council during the financial year 2021/22.

EQUALITY & DIVERSITY:

An effective Internal Audit Service provides assurance that the appropriate governance and accountability arrangements are in place which allows Service Objectives to be delivered in accordance with the Council's equality policies

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Portfolio

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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 2021/22.

In particular Members are advised of the following:-

- Internal Audit completed 83% of the 2021/22 audit plan which was below the target of 90%.
- Internal Audit's Client satisfaction identified that 100% 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 2021/22 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 2021/22 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 2021/22.

- 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 consideration of this report by the Committee forms part of that review.

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 2021/22.

12. **APPENDICES**

Appendix 1 – Internal Audit Annual Report 2020/21.

13. **BACKGROUND DOCUMENTS**

13.1 Accounts and Audit Regulations 2015.

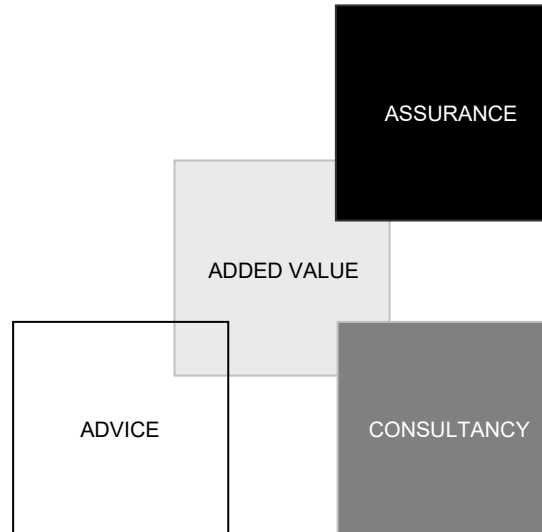
13.2 Public Sector Internal Audit Standards 2017.

13.3 The CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition.

13.4 GAC report 22 April 2021 – Internal Audit Plan 2021/22.

13.5 GAC report 25 November 2021- Internal Audit Plan 2021/22 Monitoring Report as at 30 September 2021.

INTERNAL AUDIT ANNUAL REPORT 2021/22



INTRODUCTION

The aim of this report is to provide information on the activities of Internal Audit during the financial year 2021/22 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

June 2022

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 2020/21 (GAC 22nd July 2021)
- Internal Audit Plan 2021/22 (GAC 22nd April 2021)
- Internal Audit Plan 2021/22 Monitoring Report as at 30 September 2021 (GAC 25th November 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 2,370 audit days (9.1 FTE) were planned for 2021/22 which was significantly more than the 1,839 days (7.1 FTE) available in 2020/21. The net increase is due to Internal Audit capacity being available for a full year in 2021/22, whilst in 2020/21 it was available for only nine months due it being deployed in the first three months in support of the Council's response to the Covid 19 pandemic.

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 2021/22 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 audit plan for 2021/22 was approved by GAC on 22 April 2021 and was based on 2,370 days of audit resources. The Internal Audit Monitoring Report presented to GAC on 25 November 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 2,071 audit days in 2021/22.

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 2021/22, Internal Audit achieved 83% of the original plan. This was due to Internal Audit capacity continuing to be deployed during 21/22 to support the assessment process for a number of the discretionary grants, assisting in post payment assurance and Covid outbreak monitoring.

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 2021/22 a total of 70 reports were issued (69 reports in 2020/21).

The reports issued in 2021/22 recorded that the percentage of controls satisfied was 77%, an increase of 7% on the 70% satisfied in 2020/21, and is 4% above the five year average of 73% of controls satisfied. This improvement is attributed to the increased audit coverage in 2021/22 of grants and West Yorkshire Pension Fund, both of which are traditionally well controlled. As in 2020/21 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 2021/22 by audit type is shown in Appendix A.

Chart One: Showing the Breakdown of Total Reports Produced in 2020/21 and 2021/22 by Audit Type

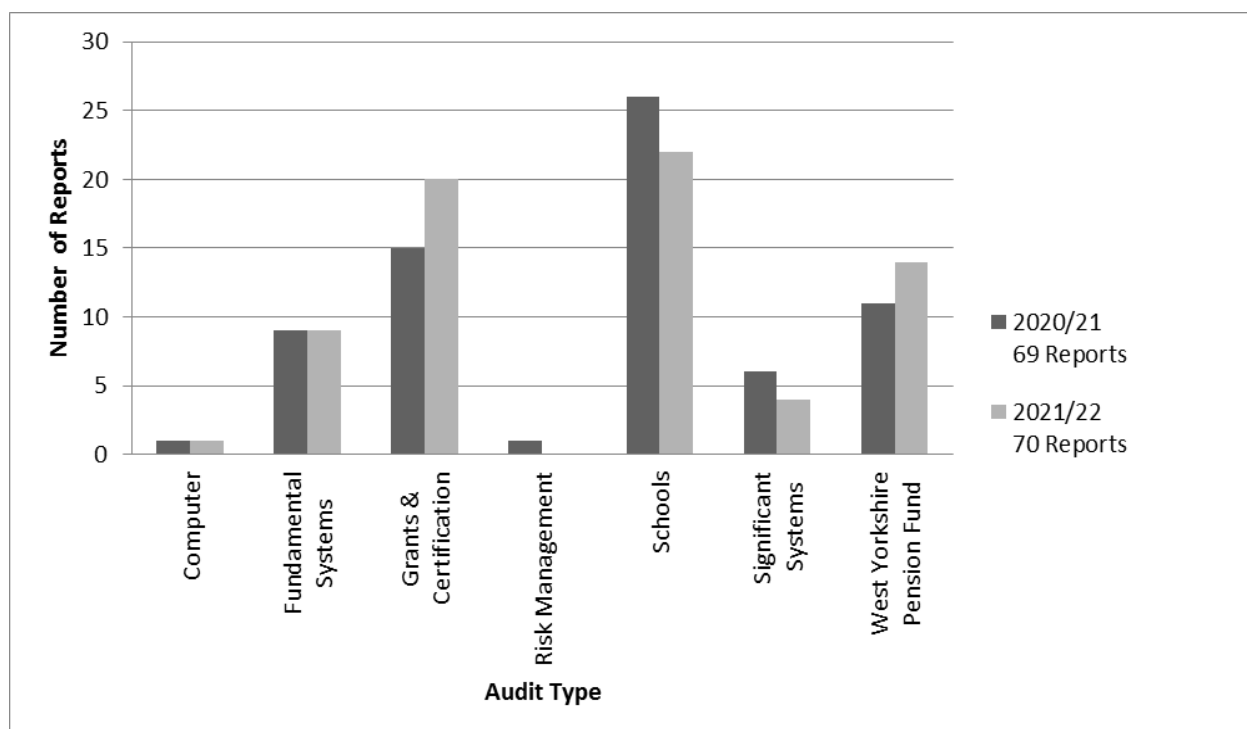
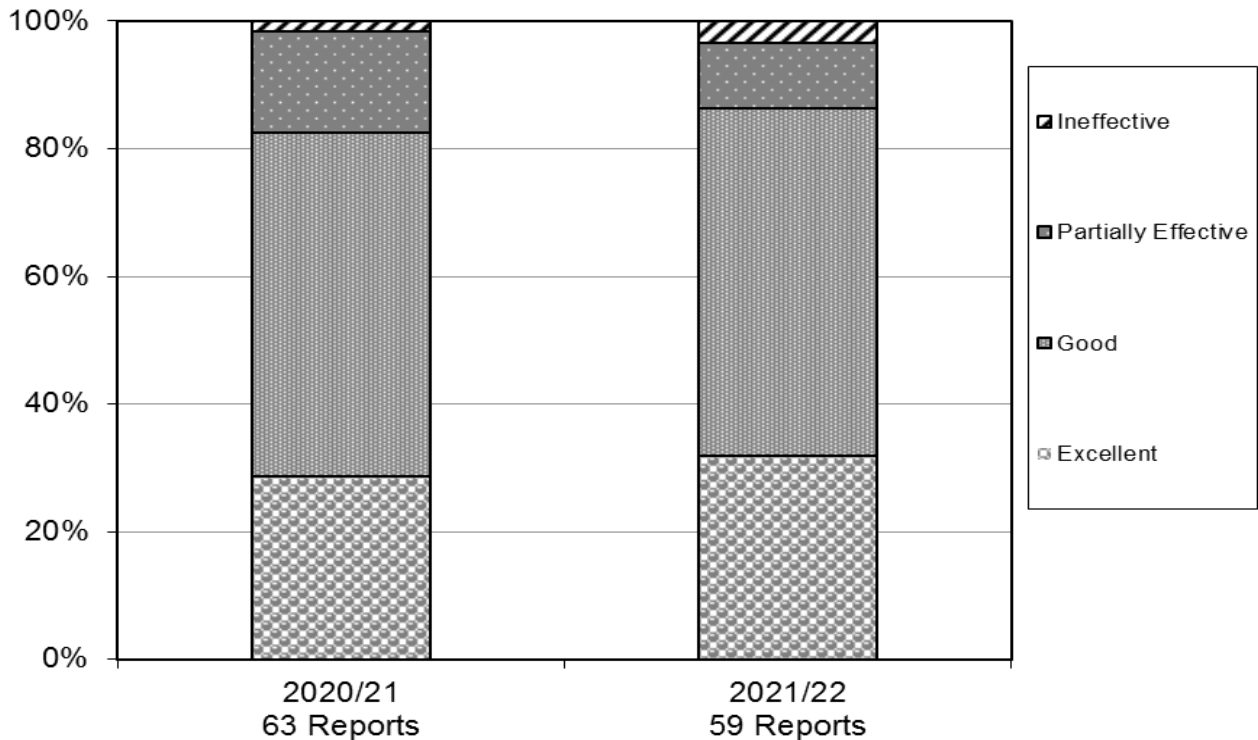


Chart Two, below, shows that, from the evaluation of risks and controls in 2021/22, 86% of the systems examined had either an 'excellent' or 'good' audit opinion, which is a slight increase on 2020/21 (83%). The 'good' opinion remained the most dominant opinion in 2021/22 at 54%.

Chart Two: Breakdown of Audit Opinions 1 April 2020 to 31 March 2022



The analysis above relates to those reports with opinions. In 2021/22 59 (84%) out of 70 issued reports had an audit opinion, which is a decrease on the 63 (91%) out of 69 issued reports in 2020/21.

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 2021/22 9 fundamental systems reports were issued, the same as in 2020/21.

There were two 'partially effective' opinions relating to Accounts Payable - Payment of Feeder Files and Council Tax Assurance. Of the remaining seven fundamental system audits, one had an opinion of 'Excellent', three had 'Good' audit opinions and three had no opinion.

The Accounts Payable – Payment of Feeder Files audit gave a partially effective opinion due to Feeder files from the Libraries Service not being independently checked and balanced by Procurement prior to payment to suppliers; and Procurement not following up small discrepancies between the feeder file total value and the SAP Payment Proposal total value (where the SAP proposal total is less in value than the feeder file total) resulting in potential errors or credits in payments which remain unresolved.

The Council Tax Assurance audit gave a partially effective opinion due to weaknesses in control in the accounting of Council Tax (and other) income received (through the Capita System) in the SAP general ledger. A multi-part high priority recommendation has been made, which once implemented, principally through the delivery of the ongoing cash and banking project should strengthen the control environment. Progress is ongoing and management anticipate these controls will be in place for December 2022

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. 2020/21 was made in accordance with the Grant Determination Letter from the funding body. The number of grants requiring Audit certification in 2021/22 was 16 with a total of 20 reports issued in respect of these. Nine 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.

It should be noted that six of the grant audits undertaken had not been included within the original plan as audit were only advised at short notice that a certification was required.

2.5 Significant Systems

Internal Audit produced 4 reports relating to significant systems of the Council during 2021/22. 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 2021/22 are shown below:

The Vehicle Security review, which was requested by management following an incident gave an ineffective audit opinion and made 12 high priority recommendations), highlighting serious control failings around the security of vehicles, plant and other assets within Highways Services Depots. This had impacts on the health and safety risks for staff and the public. The audit also highlighted wider policy issues.

The audit of Commissioned Home Support gave a partially effective opinion due to the non-return of the excel monitoring workbooks from providers which gives the Council an overview of providers' governance and any issues which may affect the care of a service user. The non-return, and incomplete information being provided in respect of payment claim forms by providers could have resulted in incorrect payments being made. The late approval of some packages of care arranged by Social Workers has resulted in large backdated payments being made to providers.

The audit review of the Income Compensation Scheme for lost sales, fees and charges (due to Covid), gave a good audit opinion and raised 1 high priority recommendation. This was relating to the claim for the budgeted loss of dividend income from the YPO, £543k for 2020/21. This had not been claimed at the time of the audit but was considered to be potentially eligible. So in line with the MHCLG guidance it was claimed and subsequently paid by MHCLG.

On the 11th June 2021 Internal Audit issued its third consecutive direct payments audit report that concluded with an 'ineffective' audit opinion. The audit 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. Internal Audit acknowledged that, although the audit opinion remains 'ineffective', there had been system and process changes. An update was provided to Internal Audit on 29th June, where Health & Wellbeing advised that the quality of the data being used has improved, a new risk matrix has been introduced which prioritised audits. However the backlog remains a concern, currently 501 financial audits overdue by over 12 months. Management advise that this should reduce due to new staff within the department. Internal Audit are scheduled to carry out a further audit in 2022, in order to review and test the current systems in place, including data quality, the risk assessments and any improvements with the backlog of audits.

2.6 Value Added

Internal Audit, where possible, adds value in the work that it undertakes. The following is a sample of instances during 2021/22 where value has been added.

Audit Work	Brief Explanation of Savings Identified or Value Added
Vehicle Security	The Vehicle Security review gave an ineffective audit opinion and made 12 high priority recommendations, highlighting serious control failings around the security of vehicles, plant and other assets within Highways Services Depots, and for the health and safety of staff and the public who may be impacted. It also highlighted

	wider policy issues. If these concerns are addressed, by management, security will improve and the risk of financial loss and potentially tragic events reduced.
Commissioned Home Support	The audit of Commissioned Home Support raised 5 high priority recommendations, which will, on implementation, improve the accuracy of payments to providers and give the Council an improved insight into the contract management arrangements of the providers who care for service users.
Procurement Processes	The audit of Procurement Processes that examined quotes, tender and contract award processes, gave a good opinion, identified the following 3 issues, resulting in High Priority recommendations which management accepted. Not all contracts appeared to have been appropriately recorded on or awarded through the Yortender process; Appropriate Finance and resource capacity checks were not agreed with the Chief Financial Officer on all relevant Contractors prior to the contracts being awarded; Reports on Social Value Objectives have not been received from suppliers.
Purchasing Card Review	The Purchasing Card review made a high priority recommendation in respect of the concern that Value Added Tax (VAT) could not be recovered by the Council on a number of purchasing card transactions of £50 or more due to either the lack of a VAT receipt, or the incorrect type of VAT receipt being submitted by the spending service.

2.7 Significant Concerns –

There were three significant areas of concern raised in 2021/22 relating to direct payments, vehicle security and accounting of income.

On the 11th June 2021 Internal Audit issued its third consecutive direct payments audit report that concluded with an ‘ineffective’ audit opinion. The audit 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. Internal Audit acknowledged that, although the audit opinion remains ‘ineffective’, there had been system and process changes. An update was provided to Internal Audit on 29th June, where Health & Wellbeing advised that the quality of the data being used has improved, a new risk matrix has been introduced which prioritised audits. However the backlog remains a concern, currently 501 financial audits overdue by over 12 months. Management advise that this should reduce due to new staff within the department. Internal Audit are scheduled to carry out a further audit in 2022, in order to review and test the current systems in place, including

data quality, the risk assessments and any improvements with the backlog of audits.

The Vehicle Security Review audit report issued on 7th February 2022 gave an ineffective opinion and made 12 high priority recommendations, all accepted by management, highlighting serious control failings around the security of vehicles, plant and other assets within Highways Services Depots. This resulted in health and safety risks for staff and the public who may have been impacted. The audit also highlighted wider policy issues. Implementation of these recommendations will be followed up in 2022/23.

The weaknesses in control in the accounting of income reported in the Council Tax Assurance audit (see 2.3 above), has been further explored by the cash and banking project and has identified that a number of controls are not in place. The Head of Financial Accounts and Projects has made Mazars aware, at the interim audit of these concerns which includes the need for a full reconciliation between SAP and Northgate. Internal Audit has offered assistance and anticipates it will support the efforts in 2022/23 to have effective reconciliation processes in place.

2.8 Follow Up of Audit Recommendations

Two follow up exercises were carried out during 2021/22. The results of the first of these was reported in the monitoring report presented to GAC in November 2021. The second exercise followed up the progress in implementing all agreed new and outstanding high priority recommendations in reports issued up to 30 September 2021. This was achieved by discussion with management, backed up wherever possible by evidence to support the stated position. In total 199 recommendations from 62 reports were included in the follow up.

The follow up process found that 61% of the recommendations had been fully implemented which is considerably higher than the 50% implementation rate reported in last year's annual report. A further 29% were partially implemented, again representing an increase on the 17% reported last year and 13 recommendations (7%) were closed due to being considered no longer relevant (mostly due to the issuing of subsequent audit reports which confirmed improvements or issued superseding recommendations). A small minority of recommendations (3%) had not yet been acted upon which is similar to the figure in last year's report. In total two thirds of the recommendations could be closed off following the process due to being implemented or identified as no longer relevant. One of the most noticeable differences between this year and last is that (although chasing was necessary) responses were received from management for all recommendations. This is potentially due to a period of settling down after the upheaval caused by Covid, but might also reflect that the process of having auditors follow up their own reports and maintain a relationship with the managers is beginning to show a positive effect.

The table below shows the results for each department.

Department	Total	Opening Position		Closing Position			
		Agreed	Partially Implemented	No Action	Partially Implemented	Implemented	No Longer Relevant
Chief Executive	10	8	2	2	3	0	5
Children's Services	114	95	19	5	8	96	5
Corporate Resources	23	9	14	0	10	11	2
Health and Wellbeing	39	5	34	0	26	12	1
Place	13	3	10	0	10	3	0
	199	120	79	7	57	122	13

Although the rate of closure of recommendations in some departments is lower than others, all updates have been provided and Audit has no significant concerns about the level of progress.

A further follow up of outstanding unimplemented recommendations together with new agreed high priority recommendations in reports issued up to the end of March 2022 has just commenced and so the position will continue to be monitored.

2.9 Schools

In the financial year 2021/22, 22 reports relating to schools were issued; there was continued application of the remote audit work programme developed and introduced to deliver school audits in response to the Covid 19 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 prior to the end of the 2020/21 financial year but the final reports were not agreed and issued until early into 2021/22. Both included recommendations to improve the control environments and had opinions of Good
- the third report was to the Director of Finance, providing an analysis of results of 26 remote school audits reported on during 2020/21; this is referred to in more detail below
- the fourth report related to an individual school audit conducted, included recommendations to improve the control environment and had a Good opinion
- the fifth report was an analysis of school's self-assessment returns relating to the School's Financial Value Standard (SFVS) process for 2020/21; this report was issued to the Director of Finance and is referred to in more detail below
- the sixth and seventh reports related to individual school audits undertaken, included recommendations to improve the control environments and both had Good opinions

- the eighth report related to the follow up of recommendations made from an individual school audit conducted in 2020/21, which had an Ineffective opinion. It was confirmed that 17 of 19 recommendations made had already been implemented. Progress on the outstanding two recommendations will be established during 2022/23
- reports nine to 15 were issued to seven individual schools following remote audits. All reports included recommendations to improve the control environments and all had the audit opinion of Good
- report 16 was the production and publication online in autumn 2021 of the Internal Audit newsletter “In Control,” made available to all the district’s schools via Bradford Schools Online. This gave advice and assistance on relevant issues, including comprehensive details of changes to the DfE’s School Financial Value Standard, which needed to be considered before the March 2022 returns deadline, feedback from recent school audits and clarification on related party transactions in connection with procurement
- reports 17 to 21 were issued to five individual schools following remote audits. All reports included recommendations to improve the control environments, with four having the opinion of Good and one, Partially Effective
- report 22 resulted from the investigation of concerns raised regarding proper procurement procedures at an individual primary school. The report included recommendations to improve the control environment

As maintained school numbers continue to reduce, the position regarding academy conversions will continue to be monitored throughout 2022/23 to ensure audit resources are focussed appropriately in the context of this changing landscape.

b) Approach to delivering school audits

Limited access to school premises resulting from the response to Covid-19 had caused Internal Audit to change its audit approach during 2020/21 to one involving remote working with a two stage process.

Stage 1 required schools to complete and submit to Internal Audit a self-assessment checklist which examined the presence of 21 expected controls, associated with six key system areas. Stage 2 comprised a more detailed remote audit programme, 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.

72, a substantial number of the district’s maintained schools, had completed Stage 1 checklists during 2020/21. It was concluded for 2021/22, that it would be of most benefit for audit assurance purposes and for schools themselves, to focus solely on Stage 2 remote audit activity during this year.

Schools continued to be 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.

In 2021/22, 20 schools were planned to be selected for this detailed testing, this was reduced in year to 15 schools, as Internal Audit coverage was re-prioritised in the second half of 2021/22 to focus on fundamental and significant systems. 15 final reports were issued to the schools, as referred to above. 25 schools are planned to be selected and remotely audited in 2022/23, although the opportunity for directly accessing school premises will be under continuous review. Stage 1 activity will also be utilised during 2022/23 if considered appropriate.

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; this is in addition to the external assurance provided to the Council from schools' 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.

By the 31st March 2022 deadline, 77 (92%), of the 84 expected returns had been received. By the 5th April, following engagement with seven schools, all 84 (100%) of expected returns had been received by the Council.

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. 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. This is referred to above.

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. Internal Audit arranged a single online training session during 2021/22 and it is hoped that on-site mass training can be re-introduced in 2022/23, which is considered to be of greater value to individual schools.

d) Sixth Form Funding Assurance

Internal Audit provided a high level assurance piece of work in relation to sixth form funding for 2020/21 totalling £6.9m, to enable the funding

assurance statement to be signed off by the Council's Section 151 officer and 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 2021/22 a number of audit assignments commenced but only one reached the final report stage; IT Hardware Asset Management. The review found that the control of risks in this area was only partially effective and made six high priority recommendations for improvement. In response to this ICT put a project in place to implement the recommendations by the year end.

2.11 Risk Management

There were no Internal Audits completed on risk management in 2021/22 however the Strategic Risk Register was regularly reported to the Corporate Overview and Scrutiny Committee and the contents shared with the Governance and Audit Committee. In March 2022 the Council appointed a full time Council Risk Manager to further incorporate risk management into Council business.

2.12 Governance

For 2020/21 Council Management Team implemented a much broader approach to governance putting in place a management assurance questionnaire which covered 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

This was compulsory for all 4th Tier Managers and used as one of the key pieces of evidence to support the 2020/21 Annual Governance Statement. The Head of Internal Audit reviewed all the responses. A model answer was then sent to all 4th tier Managers to assist their future understanding of Bradford Council's governance arrangements. The questionnaire has been updated and the process is being repeated for 2021/22.

2.13 West Yorkshire Pension Fund

During 2021/22, Internal Audit carried out a variety of audits within WYPF. These included:

- **NLGPS Common Custodian Arrangements** - As part of the formation of the Northern LGPS, a procurement exercise was carried out to appoint a common custodial service provider, which resulted in the appointment of the Northern Trust Bank as common custodian provider to the Northern LGPS. This audit was a high level review of the arrangements which surrounded the use of the Northern Trust Bank as common custodian provider and was undertaken in collaboration with Internal Audit colleagues at Tameside Council (Greater Manchester Pension Fund) and Wirral Council (Merseyside Pension Fund). The arrangements were found to be of a good standard with one recommendation for improvement being made.
- **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 an excellent standard with no recommendations required.
- **Life Existence** - A completed Life Certificate is requested from pension beneficiaries to provide confirmation that they are still alive and therefore still meet entitlement to such benefits. This process is complemented by the use of mortality screening and the use of National Fraud Initiative data in confirming continuing existence. The audit found the standard of control around this process to be good with a small number of recommendations for improvement.
- **Review of 2020/21 Report and Accounts** - This is an annual account review process, which ensures the final account is consistent with internal control reviews carried out by our Internal Audit Team during the year.
- **New Pension & Lump Sum Payments - Death Benefits** - This audit examined the calculation of the death benefits following the death of an active/deferred member or pensioner. The control environment for this process was found to be excellent.
- **Local Government Scheme Contributions** - This audit looked at both the employer and employee contributions remitted by each employer on a monthly basis, and also income received in respect of early retirements and unfunded benefits. The control environment was largely as expected with two suggested actions for improvement provided.

- **Mitigation of Pensions Scams** - The Pensions Regulator issues guidance with regards to the avoidance of Pension Scams, providing information to enable Trustees, Administrators and Scheme Providers to play an important role in educating and protecting members in order to help savers to keep their retirement savings safe from scammers. This review examined how well the guidance had been embedded within the West Yorkshire Pension Fund. The review provided assurance that the systems and processes align well with the guidance issued.
- **Accuracy of Contributions Recorded on Members Record** - 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 was undertaken as a follow up of the original audit carried out in 2019/20 to assess progress of the remedial action required. Whilst progress had been made, recommendations were made to further assist in this process.
- **Stock Lending** - Stock lending of UK and Overseas Equities is undertaken by the Northern Trust Bank as part of the custodial arrangements for the West Yorkshire Pension Fund. Controls were examined to ensure that the risks in this process were appropriately managed, these were found to be excellent with no recommendations required.
- **Business Continuity** - Business continuity arrangements were examined to ensure that they are adequate to ensure continuance of critical services such as Pensioners Payroll. The shared services provided to other LGPS' and Fire and Rescue Services places and increased reliance on Business Continuity arrangements. The review found the arrangements to be of a good standard with a number of recommendations made to further enhance the process.
- **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.
- **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 generally well controlled with two recommendations for improvement being made.
- **Purchase of Additional Pension** - Active members of the West Yorkshire Pension Fund are able to choose to increase their future pension benefits by purchasing additional pension to a maximum of £7,316 over a flexible number of years. The standard of control in this process was found to be excellent with no recommendations for improvement required.
- **UK & Overseas Private Equities** - This audit covered investment in UK and Overseas Private Equities, not included in those investments

made through NPEP. Control of this asset class was found to be of an excellent standard, therefore no recommendations for improvement were required.

2.14 Changes to the 2021/22 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 2021/22 Audit Plan over and above those that were reported in the Internal Audit Monitoring Report presented to GAC on 25 November 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 2021/22 planned audits that were ongoing as at 31.3.22.

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. 100% 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:-

Communication was thorough and clear with plenty of time allowed to gather and submit the requested documentation. The audit was helpful in identifying areas of process changes and improvements.

As this was my first audit as a SBL, I found it useful as a tool to see where school was at and what improvements were required.

A very useful exercise and gave reassurance that we are doing what we should be doing on the whole.

The audit was carried out thoroughly and with due diligence examining all aspects of the terms of reference as provided. There was good engagement between the auditor/managers involved which helped clarify the relationship between the auditor's findings / current operating arrangements and areas where improvements would be beneficial to produce a well rounded report which could be effectively actioned.

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 91% of reports were issued within three weeks of finishing on site, which is above the target of 80%. 98% 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 2021/22 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. In addition review plan to identify areas during the pandemic where assurances were difficult to determine or audit coverage was reduced.	Internal Audit Plan for 22/23 approved by Governance and Audit Committee which incorporates the new risks that the Council is responding too.
Hybrid Working	Develop audit approach to determine how to audit with team and services working from home.	Currently developing experience on how best to audit under the current circumstances. It should be noted that there is not a common theme or standard approach identified.

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 2021/22 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 Business Grants and Outbreak Control has significantly broadened Teams skills and experience. The Service's Internal Audit Trainee has continued with their Institute of Internal Audit qualification.

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 fundamental and significant systems was reduced.

In relation to risk management and governance the opinion is based on the work completed by the Head of Internal Audit, Insurance and Risk in relation to their wider administrative responsibilities. This is not in accordance with Public Sector Internal Audit Standards which requires an independent assurance process. This will be addressed through audit coverage in 2022/23.

Appendix A

Details of the Audit Reports Issued in 2021/22 by Audit Type

Audit Category	Client	Opinion	Title	Final Report Issue Date
Computer Audit	Corporate Resources	Partially Effective	IT Hardware Asset Management	09/12/2021
Fundamental Systems	Children's Services	N/A	Purchasing Cards Letter Report - Children's Homes	24/12/2021
Fundamental Systems	Children's Services	N/A	Purchasing Cards Letter Report - Children's Social Care	02/02/2022
Fundamental Systems	Corporate Resources	Partially Effective	Accounts Payable - Payment of Feeder Files	02/08/2021
Fundamental Systems	Corporate Resources	Good	Purchasing Cards	28/10/2021
Fundamental Systems	Corporate Resources	Good	Procurement Processes -Quotes, Tenders & Contract Award	21/01/2022
Fundamental Systems	Corporate Resources	Partially Effective	Council Tax Assurance	25/01/2022
Fundamental Systems	Corporate Resources	N/A	Early Retirement Costs	04/02/2022
Fundamental Systems	Corporate Resources	Excellent	Council Starters and Leavers	22/03/2022
Fundamental Systems	Health & Wellbeing	Good	Requisitioning, Ordering & Receipting	29/03/2022
Grants	Children's Services	Good	Supporting Families 2021/22 - Funding Quarter 1 2021/22	13/07/2021
Grants	Place	N/A	Getting Building Fund Grant	28/07/2021
Grants	Place	Excellent	Highways Grant Claim - Local Transport Block Fund	26/08/2021
Grants	Place	Excellent	Highways Grant Claim - Pot Hole Funding	26/08/2021
Grants	Place	Excellent	Highways Grant Claim - Cycle City	27/08/2021
Grants	Place	Excellent	Highways Grant Claim - Transforming Cities	27/08/2021
Grants	Place	Excellent	Highways Grant Claim - City Connect	27/08/2021
Grants	Place	Excellent	Highways Grant Claim - Growth Deal - Gain Lane	27/08/2021
Grants	Place	Excellent	Highways Grant Claim - Highways Challenge Fund	27/08/2021
Grants	Place	Excellent	Highways Grant Claim - Active Travel Tranche 2	07/09/2021
Grants	Children's Services	Good	Supporting Families 2021/22 - Funding Quarter 2 2021/22	29/09/2021
Grants	Place	Good	Economy and Development Grant Claim - High Point	29/09/2021
Grants	Place	Good	Economy and Development Grant Claim - Conditioning House	29/09/2021

Grants	Place	Good	Economy and Development Grant Claim - Staithgate Lane	29/09/2021
Grants	Children's Services	Excellent	Local Authority Bus Subsidy (Revenue) Grant Determination 2020/21 (NO. 31/5013)	07/10/2021
Grants	Place	Excellent	West Yorkshire Plus Transport Fund 2020/21	19/10/2021
Grants	Corporate Resources	Good	ULEV Taxi Infrastructure Grant 2020/21	21/10/2021
Grants	Place	Excellent	Disabled Facilities 2020/21	03/11/2021
Grants	Children's Services	Good	Supporting Families 2021/22 - Funding Quarter 3 2021/22	21/12/2021
Grants	Children's Services	N/A	Supporting Families 2021/22 - Funding Quarter 4 2021/22	25/03/2022
Schools	Children's Services	Good	Farfield Primary School	26/04/2021
Schools	Children's Services	Good	Saltaire Primary School	26/04/2021
Schools	Children's Services	N/A	School Audits 2020/21 Stage 2 Analysis	14/05/2021
Schools	Children's Services	Good	Stocks Lane Primary School	21/06/2021
Schools	Children's Services	N/A	Analysis of SFVS Returns 2021	06/07/2021
Schools	Children's Services	Good	Oastlers School	06/07/2021
Schools	Children's Services	Good	St. Matthew's Catholic Primary School	15/07/2021
Schools	Children's Services	N/A	Ley Top Primary School Follow Up	16/07/2021
Schools	Children's Services	Good	Lidget Green Primary School	23/07/2021
Schools	Children's Services	Good	Home Farm Primary School	16/09/2021
Schools	Children's Services	Good	All Saints CE Primary School Bradford	17/09/2021
Schools	Children's Services	Good	Clayton Village Primary School	20/09/2021
Schools	Children's Services	Good	Hill Top Primary School	20/09/2021
Schools	Children's Services	Good	Park Primary PRU	20/09/2021
Schools	Children's Services	Good	Parkside School	21/09/2021
Schools	Children's Services	N/A	In Control Newsletter	01/11/2021
Schools	Children's Services	Good	St. Matthew's CE Primary School	19/11/2021
Schools	Children's Services	Good	Crossflatts Primary School	22/11/2021
Schools	Children's Services	Good	Girlington Primary School	29/11/2021
Schools	Children's	Good	Killinghall Primary School	08/12/2021

	Services			
Schools	Children's Services	Partially Effective	Idle Primary School	09/12/2021
Schools	Children's Services	N/A	Concerns regarding proper procurement procedures at Cavendish Primary School	10/12/2021
Significant Systems	Place	Ineffective	Vehicle Security	07/02/2022
Significant Systems	Health & Wellbeing	Ineffective	Direct Payments Follow-up 2020	11/06/2021
Significant Systems	Corporate Resources	Good	Income Compensation Scheme	23/06/2021
Significant Systems	Health & Wellbeing	Partially Effective	Commissioned Home Support	03/02/2022
West Yorkshire Pension Fund	Chief Executive	Good	WYPF - NLGPS Common Custodian Arrangements	30/04/2021
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF - Transfers In	17/05/2021
West Yorkshire Pension Fund	Chief Executive	Good	WYPF Life Existence	11/08/2021
West Yorkshire Pension Fund	Chief Executive	N/A	WYPF - Review of 2020/21 Report and Accounts	20/09/2021
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF New Pension & Lump Sum Payments - Death Benefits	08/10/2021
West Yorkshire Pension Fund	Chief Executive	Good	WYPF Local Government Scheme Contributions	01/11/2021
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF Mitigation of Pensions Scams	03/11/2021
West Yorkshire Pension Fund	Chief Executive	Partially Effective	Follow Up Audit – WYPF Accuracy of Contributions Recorded on Members Record	05/11/2021
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF Stock Lending	24/11/2021
West Yorkshire Pension Fund	Chief Executive	Good	WYPF - Business Continuity	17/01/2022
West Yorkshire Pension Fund	Chief Executive	Excellent	West Yorkshire Pension Fund Treasury Management 2021/22	18/01/2022
West Yorkshire Pension Fund	Chief Executive	Good	WYPF Equities	22/03/2022
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF Purchase of Additional Pension	29/03/2022
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF UK & Overseas Private Equities	31/03/2022

Appendix B

Amendments to the 2021/22 Audit Plan

Below is a list of audits that were added or deleted from the 2021/22 Audit Plan over and above those that were reported to GAC in the Internal Audit Monitoring Report on 25 November 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 2021/22 planned audits that were ongoing as at 31.3.22.

Additional unplanned audit work commenced / done in 2021/22	Planned audit work proposed not doing in 2021/22	Reason	2021/22 Planned Audits Ongoing as at 31.3.22	
Early Retirement Costs	Accounts Payable Assurance	Not priority. Not done due to resource constraints. Deferred until 22/23.	Miscellaneous Payments	Accounts Receivable - Enforcement, Refunds & Write Offs
Cultural Recovery Fund Grant	Budgetary Control/Financial Management	Not priority. Not done due to resource constraints. Deferred until 22/23.	Benefits Assurance	Final Accounts Review
Procurement concerns at Cavendish & Knowleswood Federation	Cash Collection /Delivery and Banking/Cash Receipting System	Not priority. Not done due to resource constraints. Deferred until 22/23.	Capital schemes	NNDR Assurance
Getting Building Fund Grant	Council Tax - Enforcement & Write Offs	Not priority. Not done due to resource constraints. Deferred until 22/23.	Recruitment and Selection - Compliance with HR/Procurement Processes	Residential Children Homes /in-house
Review of Vehicle Security at Highways Depots	External Payroll Provision including billing for salary costs	Not priority. Not done due to resource constraints. Deferred until 22/23.	Health and Safety	BACES
Mitigation of Pension Scams	Performance Management	Not priority. Not done due to resource constraints. Deferred until 22/23.	Data Quality (H&WB)	E-mail Management
	Early Help & Prevention (Childrens)	Not priority. Not done due to resource constraints. Deferred until 22/23.	ICT Business Continuity	6th Form Funding
	School Catering	Not priority. Not done due to resource constraints. Deferred until 22/23.		
	Members' Allowances	Not priority. Not done due to resource constraints. Deferred until 22/23.		

Energy Management/Carbon Reduction/Utilities	Not priority. Not done due to resource constraints. Deferred until 22/23.
Licensing	Not priority. Not done due to resource constraints. Deferred until 22/23.
Homelessness	Not priority. Not done due to resource constraints. Deferred until 22/23.
S106 Infrastructure Levy	Not priority. Not done due to resource constraints. Deferred until 22/23.
Waste Management	Not priority. Deferred until 22/23.
Risk Management Audits	Not priority. Not done due to resource constraints. Deferred until 22/23.
Service Desk Management	Not priority. Not done due to resource constraints. Deferred until 22/23.
5 school audits	Not priority. Not done due to resource constraints. Deferred until 22/23.