

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

City of Bradford Metropolitan District
Council 's Internal Audit Service

Final Report

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City of Bradford Metropolitan District Council 's Internal Audit Service

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1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once in a five-year period.

2. Background

- 2.1 The Internal Audit Service provides internal audit and consultancy services to City of Bradford Metropolitan District Council and the West Yorkshire Pension Fund. The Chief Audit Executive is the Council's Head of Internal Audit, Insurance and Risk (referred to as the Head of Internal Audit in this report). He is supported by an Audit Manager, two Assistant Audit Managers, six Senior Auditors, and two Internal Audit Graduate Trainee posts, (one of which was vacant at the time of the EQA).
- 2.2 The Head of Internal Audit is an experienced internal audit professional who is a CCAB accountant (CIPFA). All the Team members, apart from the Internal Audit Graduate Trainee, are experienced internal audit professionals, each having at least ten years internal audit experience. All team members hold relevant professional qualifications.
- 2.3 From an operational perspective, the Internal Audit Service is part of the Department of Corporate Services and the Head of Internal Audit reports directly to the Director of Finance, who is the Council's Section 151 Officer. The Head of Internal Audit meets frequently with the Section 151 Officer and attends regular meetings of the Finance and Systems Directorate Management Team. He also attends meetings through the year with the External Auditor and the Council's Monitoring Officer. He attends all meetings of the Council's Governance and Audit Committee and has direct access to the Chair of the Committee. Regular reports on the audit plan, progress on delivering the plan and the annual opinion and outturn, are made to the Corporate Leadership Team and the Governance and Audit Committee.
- 2.4 The Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment (EQA) that they have commissioned, the previous one being in 2018.
- 2.5 Internal Audit has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment. The Service uses standard templates for all terms of reference, engagement working papers, testing schedules, and audit reports, with all documents retained in the Service's MK Insight audit management application. Supervision of the engagements takes place at every stage of the process and is recorded in MK Insight.
- 2.6 There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements, a post-audit client feedback survey, and final clearance of all completed reports by the Head of Internal Audit, all of which feed into the Internal Audit Service's Quality Assurance and Improvement Programme (QAIP).

3. Validation Process

- 3.1 This validation of the Service's self-assessment comprised a combination of a review of the evidence provided by Internal Audit; a review of a sample of completed internal audits; and interviews with key stakeholders, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the

Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

3.2 The Internal Audit Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:

- self-assessment against the standards;
- quality assurance and improvement plan (QAIP);
- evidence file to support the self-assessment;
- the audit charter;
- the annual report and opinions
- the audit plan and strategy;
- audit procedures manual;
- a range of documents and records relating to the team members;
- progress and other reports to the Governance and Audit Committee.

All the above documents were examined during this EQA.

3.3 The main phase of the validation process started in the week commencing 6 March 2023, with further work and interviews undertaken during the following weeks. This phase of the EQA involved a review of a sample of audit files and interviews with a sample of key stakeholders. Overall, the feedback from the interviewees was positive with clients valuing the professional, knowledgeable, and objective way the Internal Audit Service delivered their services.

3.4 The assessor reviewed examples of completed audits, to confirm his understanding of the audit process used at the Council, and to determine how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for the City of Bradford Metropolitan District Council’s Internal Audit Service is accurate, and we therefore conclude that the Internal Audit Service **GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.**

4.1 The table below shows the Internal Audit Service’s level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms
Code of ethics	Generally Conforms

Standard / Area Assessed	Level of Conformance
Attribute standard 1000 – Purpose, Authority and Responsibility	Partially Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an Internal Audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in Internal Audit's procedures and working methodologies and they are a competent, experienced, and professional Service that generally conforms to all ten elements of the Core Principles.

5.3 Code of Ethics

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures, and their audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Service operates.

5.4 Attribute Standard 1100 – Independence and Objectivity

Standard 1100 states that the Internal Audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of any Internal Audit Service's culture. The Head of Internal Audit reports in his own name directly to the Corporate Leadership Team and to the Governance and Audit Committee. All employees declare any potential impairment to their independence or objectivity on an annual basis.

We have reviewed the Internal Audit Service's procedures and their standard documentation; their quality assurance and improvement plan; and a small sample of completed audit files. We have also reviewed their reporting lines and their positioning within the organisation. The Head of Internal Audit has responsibilities for the Council's risk management and insurance functions as well as Internal Audit, and this is included in the audit charter in the section on the independence and objectivity of the Internal Audit Service. There is a robust process in place to mitigate any potential impairment to the independence of the Head of Internal Audit where the audit of these functions is carried out by one of the Audit managers and the output from the audit is reported directly to the Council's Section 151 Officer. However, the annual report and opinion does not mention the independence and objectivity of either the Head of Internal Audit or the Service as a whole. It should be noted that the essence of the audit charter is a document that 'looks forward', whereas the annual report specifically 'looks back' at the year just finished. It is therefore recognised as good practice to reaffirm Internal Audit's independence and objectivity in the annual report and include a specific statement to confirm that there have not been any impairments to that independence during the year. If, on the other hand, there has been an impairment, this should be included in the annual report, along with a description of the action taken by the Head of Internal Audit to mitigate the impact of the impairment.

We have included an action regarding this observation in Appendix A of this report. Notwithstanding the above, we are satisfied that the Internal Audit Service generally conforms with attribute standard 1100 and the LGAN.

5.5 Attribute Standard 1200 – Proficiency and Due Professional Care

Attribute standard 1200 requires the Internal Audit Services' engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that the Internal Audit Service has a professional, experienced, and suitably qualified workforce. The Head of Internal Audit is an experienced internal audit professional who is a CCAB accountant (CIPFA). He is

supported by an Audit Manager, two Assistant Audit Managers, six Senior Auditors, and two Internal Audit Graduate Trainee posts, (one of which was vacant at the time of the EQA). There were two Audit Managers in post until August 2022, but this is no longer the case.

All the Team members, apart from the Internal Audit Graduate Trainee, are experienced internal audit professionals, each having at least ten year's internal audit experience. All the team members hold relevant professional qualifications. The Audit Manager and one of the Assistant Audit Managers are CCAB accountants (ACCA and CIPFA respectively), and the other Assistant Audit Manager is AAT qualified. Of the Senior Auditors, one is a CCAB accountant (CIPFA), one is IIA qualified, and the remainder are all AAT qualified.

As we have mentioned above, this is a very experienced Service with the Team members having many years' internal audit experience, particularly the Officers that occupy posts in the top three layers of the Team's structure. All these Officers are at an age where they may consider taking early retirement at some point in the foreseeable future. The Head of Audit is aware of the national shortage of experienced and qualified internal auditors and understands the need to not only retain the existing Team members, but to be in a strong position to fill vacant posts when they arise. All these issues have been included in a staffing business case that the Head of Internal Audit has produced for senior management to consider. This included redefining the two management layers below the Head of Internal Audit as a Deputy Head of Internal Audit post and two Audit Team Manager posts. Job descriptions for these posts have been produced and submitted for evaluation.

The Standards expect all internal auditors to maintain their knowledge and skills by undertaking appropriate and relevant continuous professional development. Each year, all Council employees are required to undertake various mandatory learning sessions which are recoded on the Council's 'Evolve' centralised learning and development system. Regarding other appropriate and relevant learning and development, the Service does have a central log of the learning and development undertaken by the Team members, but this is not reviewed by management, and it may not include all the learning and development that the staff have undertaken. As such, the Service may not have a comprehensive record of all the learning and development that has been undertaken by the Team members and may find it challenging to demonstrate that the Team members are maintaining their professional knowledge and skills. We have included this as an action for management in Appendix A.

The Service has a contract with a Greater Manchester Local Authority for specialist IT audit services, although all Team members have sufficient knowledge of the operation of high-level IT controls that they can incorporate these in their testing for the audits they undertake.

The Standards require Internal Audit Services to consider the use of data analytics when performing their audit reviews. The individual Team members have access to software that can be used for a limited degree of data analysis, such as MS Excel, but the Service does not currently have access to a specialist data extraction and analysis tool, such as 'IDEA', 'ACL' or 'Arbutus'. The Service does not currently carry out much data analytics as part of their audit methodologies. Where they do, it is performed by utilising the functionality within MS Excel, however, this package has a limited range of functionality compared to the specialist data analytics applications. We acknowledge that there is a cost attached to obtaining such a tool, however, we believe the Service should still consider purchasing a suitable product. We have included this as an advisory action in Appendix A.

The Service has access to the MS Power BI application and are using this for reporting purposes, although there may be scope to make greater use of this application. There is

an opportunity to further broaden the use of data analytics by making use of external sources of data that can be used for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Council should already have access to. These are now adaptable tools that should not be overlooked, particularly when auditors are preparing the terms of reference for audits as benchmarking can highlight areas where there may be scope to add value to the Council's operations, or at least challenge the current thinking. We have included this as an advisory action for management to consider in Appendix A.

Apart from the issues above, it is evident from this review that the Internal Audit Service's employees are experienced and well qualified and perform their duties with due professional care. However, there are some enhancements that the service should consider.

5.6 Attribute Standard 1300 – Quality Assurance and Improvement Programmes

This standard requires the Head of Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Internal Audit Service has developed an effective quality assurance process which feeds into their quality assurance and improvement programme that ensures engagements are performed to a high standard. Supervision of audit engagements is carried out at all stages of the audit, usually by the Audit Manager or one of the Assistant Audit Managers. Evidence of the supervision is recorded throughout the audit process and recorded in the MK Insight application. The Service uses post audit client satisfaction surveys for every audit they undertake, and in addition to the quinquennial EQA, carry out self-assessments of their conformance to the Standards and the LGAN. All these processes feed into the Service's quality assurance and improvement plan (QAIP), to the Governance and Audit.

We have examined the supporting evidence provided by the Internal Audit Service during this EQA and we are satisfied that they conform to attribute standard 1300 and the LGAN.

5.7 Performance Standard 2000 – Managing the Internal Audit Activity

The remit of this standard is wide and requires the Chief Audit Executive to manage the Internal Audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when Internal Audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit and Risk Committee for their review and approval. The Chief Audit Executive must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Chief Audit Executive to establish policies and procedures to guide the Internal Audit activity, and to share information, co-ordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the Audit Committees on Internal Audit's activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committee.

The Internal Audit Service have comprehensive procedures in place that covers all aspects of the Internal Audit Service and are linked to their MK Insight audit management application.

The Service have developed comprehensive planning processes that take into consideration the Council's risks and objectives; the risk management and governance frameworks; the Council's objectives and priorities; any other relevant and reliable sources of assurance that are available; key issues identified by managers during planning meetings; the Service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations. The Service publishes risk-based operational audit plans that are designed to provide the Council, and the West Yorkshire Pension Fund, with relevant assurance on their governance, risk management and control frameworks. Each audit is categorised to show which of the three elements it relates to, which may be more than one. The audit plans are underpinned by a comprehensive audit universe. However, none of the audits in the current published plans are prioritised, and they are not mapped or aligned to either the Council's or the Pension Fund's priorities or corporate objectives. None of the potential audits in the audit universe are aligned to the corporate objectives, however, they are all allocated a risk (priority) rating. We have included an action in Appendix A relating to this observation. The audit plan is reviewed and approved by the Corporate Leadership Team and the Governance and Audit Committee.

Details of the completed audits, together with regular updates on the progress being made on delivering the audit plan and the performance of the Internal Audit Service, are reported to the Governance and Audit Committee. An annual report and opinion are also issued at the end of the year and presented to the Governance and Audit Committee.

Notwithstanding the observation above, the indication from this EQA is that the Internal Audit Service is managed effectively and generally conforms to performance standard 2000 and the LGAN.

5.8 Performance Standard 2100 – Nature of Work

Standard 2100 covers the way the Internal Audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Internal Audit Service and is embedded in their working methodologies. During this EQA, we reviewed a sample of completed audits and examined them to see if they conformed to standard 2100, the LGAN and Internal Audit's own methodologies. We found that all the sample audit files examined during the EQA complied with all three.

The clear indication from this EQA is that the Internal Audit Service generally conforms to performance standard 2100 and the LGAN.

5.9 Performance Standard 2200 – Engagement Planning

Performance standard 2200 requires Internal Auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

The Service has an audit manual and robust supervision processes in place that include engagement planning and meets the requirements of the PSIAS. From the sample of audit files that we examined during the EQA we found that they all conformed to standard 2200, the LGAN, and the Service's own audit procedures and we, therefore, conclude that Internal Audit generally conforms to performance standard 2200 and the LGAN.

5.10 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that Internal Auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

As we have mentioned above, the Internal Audit Service have audit procedures, sound supervision arrangements, and quality assurance processes in place that meet the requirements of the standards. We reviewed the evidence provided in support of the Service's self-assessment, together with a sample of audit files to see if they conformed to the standards, and Internal Audit's own working methodologies. We found that all the evidence we examined conformed to the standards and Internal Audit's own procedures and methodologies. We therefore conclude that Internal Audit generally conforms to performance standard 2300 and the LGAN.

5.11 **Performance Standard 2400 – Communicating Results**

This standard requires Internal Auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit committee and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The Service's procedures and supervision processes cover the communication of results of individual audits and meet the requirements of the PSIAS. During the EQA we reviewed the evidence provided in support of the Service's self-assessment and the audit reports issued for a sample of audits to establish if they conformed to the standards. We found that all the evidence we examined conformed to the standards and Internal Audit's own procedures and methodologies.

We also reviewed the progress and annual reports presented to the Governance and Audit Committee and found that these also conformed to the standards and the Service's own internal procedures.

We therefore conclude that the Internal Audit Service generally conforms to performance standard 2400 and the LGAN.

5.12 **Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the Governance and Audit Committee. From this EQA, it is evident that the Internal Audit Service generally conforms to performance standard 2500 and the LGAN.

5.13 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Chief Audit Executive has concluded that management at the client's services have accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples of this during this review. From this EQA, it is evident that the Internal Audit Service generally conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

6.1 Attribute Standard 1000 – Purpose, Authority and Responsibility

The purpose, authority and responsibility of the Internal Audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There is an audit charter in place, and this is reviewed by the Head of Audit on an annual basis. Any changes to the audit charter are reported to the Governance and Audit Committee. However, the full audit charter has not been presented to the Committee since 2019. We have made one recommendation relating to this observation in section eight of this report.

We reviewed this document and found it to be comprehensive and well written and contains many of the elements that the PSIAS expects to be included in an audit charter. We have, however, made some observations where the audit charter could be enhanced.

The Standards require the terms ‘Chief Audit Executive’, ‘Senior Management’ and the ‘Board’ to be defined in the audit charter. Section 1.6.2 sets out the terms ‘Chief Audit Executive’ and the ‘Board’ but does not include the term ‘Senior Management’. This needs to be added to the audit charter, ideally at section 1.6.2.

The Standards also require the terms ‘assurance services’ and ‘consulting services’ are defined in the audit charter. These terms are mentioned in various places, but they are not specifically defined. Greater clarity would be achieved if these two terms are defined in the audit charter. Section 5 of the audit charter sets out the main activities that will be performed by Internal Audit (section 5.2), the majority of which fall under the category of ‘assurance services’ (although there are some that fall under the general category of ‘consulting services’), so section 5 is probably the best section to place the definition for ‘assurance services’.

The Standards define consulting services as “*Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion*”. Section 10 is entitled ‘consultancy work’ so that is probably the best section to place the definition for ‘consulting services’.

We have included the above observations as actions for management to consider in Appendix A of this report.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. Issues for management action

- 8.1 From this EQA we have observed four areas where conformance to the Standards could be enhanced, and we have made recommendations relating to these observations. We have also identified five advisory issues that management should consider. All these issues are set out in more detail in Appendix A of this report.

The co-operation of the Head of Internal Audit in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the Chair of the Governance and Audit Committees and the key stakeholders that made themselves available for interview during the EQA.

Ray Gard, CPFA, FCCA, FCIIA, DMS

1 June 2023

9. Definitions

Level of Conformity	Description
Generally Conforms	The Internal Audit Service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the individual Standard, the element of the Code of Ethics, and the Local Government Application Note in all material respects. This means that there is general conformance to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note, and at least partial conformance to the others.
Partially Conforms	The Internal Audit Service is endeavouring to deliver an effective service however, they are falling short of achieving some of their objectives and/or generally conforming to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note and at least partial conformance to the others. There will usually be significant opportunities to improve the delivery of effective internal audit, and enhance conformance to the Standards, elements of the Code of Ethics, and/or the Local Government Application Note. The Internal Audit Service may be aware of some of these opportunities and the areas they need to develop. Some identified deficiencies may be beyond the control of Internal Audit and may result in actions for Senior Management or the Board of the organisation to address.
Does Not Conform	The Internal Audit Service is not aware of; not making efforts to comply with; or is failing to achieve many/all of the individual Standards, elements of the Code of Ethics, or the Local Government Application Note. These deficiencies will usually have a significant adverse impact on Internal Audit's effectiveness and its potential to add value and are likely to represent significant opportunities for improvement to Internal Audit. Some identified deficiencies may be beyond the control of Internal Audit and may result in recommendations to Senior Management or the Board of the organisation.

Action Priorities	Criteria
High priority	The Internal Audit Service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The Internal Audit Service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within a reasonable time scale, for example six months.

Low priority	The Internal Audit Service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

10. Disclaimer

This report has been prepared by CIPFA at the request of the City of Bradford Metropolitan District Council, and the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided to us. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of City of Bradford Metropolitan District Council's Internal Audit Service, including the Officers and elected Members of the Council, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Management action plan

1. Present the full audit charter to the Governance and Audit Committee annually (Medium)	
Rationale	Agreed Action
Although the audit charter is reviewed by the Head of Internal Audit on an annual basis, and any changes made are reported to the Governance and Audit Committee, the full audit charter has not been presented to the Committee since 2019. As the composition of the Governance and Audit Committee can change from one year to the next, it is good practice to present the full audit charter to the committee on an annual basis.	Agreed Updated Internal Audit Charter will be included in the 2022/23 Annual Internal Audit Report which is timetabled for the 20 th July 2023 Governance and Audit Committee
Action Responsibility	Mark St Romaine
Deadline	August 2023

2. Define the term Senior Management in the audit charter (Medium)	
Rationale	Agreed Action
The Standards require the terms 'Chief Audit Executive', 'Senior Management' and the 'Board' to be defined in the audit charter. Section 1.6.2 sets out the terms 'Chief Audit Executive' and the 'Board' but does not include the term 'Senior Management'. This needs to be added to audit charter, ideally at section 1.6.2.	Agreed The updated Internal Audit Charter will define Senior Management which will include Council Management Team and the Executive and reported to the 20 th July 2023 Governance and Audit Committee.
Action Responsibility	Mark St Romaine
Deadline	August 2023

3. Define the terms 'assurance services' and 'consulting services' in the audit charter (Medium)	
Rationale	Agreed Action
<p>The Standards also require the terms 'assurance services' and 'consulting services' are defined in the audit charter. These terms are mentioned in various places, but they are not specifically defined. Greater clarity would be achieved if these two terms are defined in the audit charter. Section 5 of the audit charter sets out the main activities that will be performed by Internal Audit (section 5.2), the majority of which fall under the category of 'assurance services' (although there are some that fall under the general category of 'consulting services'), so section 5 this is probably the best section to place the definition for 'assurance services'.</p> <p>The Standards define consulting services as "<i>Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion</i>". Section 10 is entitled 'consultancy work' so that is probably the best section to place the definition for 'consulting services'.</p>	<p>Agreed</p> <p>The definition of assurance and consultancy services will be included in the updated Internal Audit Charter reported to the 20th July 2023 Governance and Audit Committee.</p>
Action Responsibility	Mark St Romaine
Deadline	August 2023

4. Add a statement on impairments to the annual report and opinion (Advisory)	
Rationale	Agreed Action
The audit charter includes a section on the independence and objectivity of the Internal Audit Service. The annual report and opinion on the other hand, does not mention the independence and objectivity of either the Head of Internal Audit or the Service as a whole. It should be noted that the essence of the audit charter is a document that 'looks forward', whereas the annual report specifically 'looks back' at the year just finished. It is, therefore, recognised as good practice to reaffirm Internal Audit's independence and objectivity in the annual report and include a specific statement to confirm that there have not been any impairments to that independence during the year. If, on the other hand, there has been an impairment, this should be included in the annual report, along with a description of the action taken by the Head of Internal Audit to mitigate the impact of the impairment.	Agreed The Annual Internal Audit Report 2022/23 will include a statement detailing Internal Audit's conformance as an independent and objective assurance service, or if applicable a statement of impairments to these professional requirements being met, together with the action taken to mitigate the impact of the impairment.
Action Responsibility	Mark St Romaine
Deadline	August 2023

5. Ensure the Service's learning and development records are comprehensive and reviewed regularly (Advisory)	
Rationale	Agreed Action
Although the Service has a central log of the learning and development undertaken by the Team members, it is not reviewed by management and checked for completeness, so it may not include all the learning and development that the staff have undertaken. As such, the Service may not have a comprehensive record of all the learning and development that has been undertaken by the Team members and may find it challenging to demonstrate that the Team members are maintaining their professional knowledge and skills.	Agreed The Learning and Development log will be updated, checked by management for completeness and included in The Annual Internal Audit Report 2022/23. In addition, the Evolve system will be checked to see how professional training can be added to individual Auditor records
Action Responsibility	Mark St Romaine
Deadline	August 2023

6. Consider obtaining and using a specialist data analytics software application (Advisory)	
Rationale	Agreed Action
The Service does not currently have access to a specialist data extraction and analysis tool, such as 'IDEA', 'ACL' or 'Arbutus'. While we acknowledge that there is a cost attached to obtaining such a tool, consideration should be given to purchasing a suitable product as it would not only enhance the capabilities of the Service, such as undertaking data matching and data mining exercise, and using continuous auditing / monitoring of key systems, but they would also be able to provide enhanced assurance by testing the whole data population when carrying out audits with large quantities of electronically held data, rather than sample testing and extrapolating the results to the whole population.	A review of the options for data extraction and analysis will be undertaken by the Internal Audit Team to see what improvements could be delivered for Bradford Council. This will include a review of any benefits that can be realised from benchmarking.
Action Responsibility	Mark St Romaine
Deadline	January 2024

7. Use of benchmarking data when scoping audits (Advisory)	
Rationale	Agreed Action
There is an opportunity to further broaden the use of data analytics by making use of external sources of data for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Council should already have access to. These are now adaptable tools that should not be overlooked, particularly when auditors are preparing the terms of reference for audits as benchmarking can highlight areas where there may be scope to add value to the Council's operations, or at least challenge the current thinking.	A review of the options for data extraction and analysis will be undertaken by the Internal Audit Team to see what improvements could be delivered for Bradford Council. This will include a review of any benefits that can be realised from benchmarking.
Action Responsibility	Mark St Romaine
Deadline	January 2024

8. All audits in the published audit plans should be prioritised and aligned to the Council's or Pension Fund's objectives. (Medium)

Rationale	Agreed Action
<p>The Service publishes a risk-based operational audit plan that is designed to provide the Council and/or the West Yorkshire Pension Fund with relevant assurance on their governance, risk management and control frameworks. Each audit is categorised to show which of the three elements it relates to, which may be more than one. The audit plans are underpinned by a comprehensive audit universe. However, none of the audits in the current published plans are prioritised, and they are not mapped or aligned to either the Council's or the Pension Fund's priorities or corporate objectives. None of the potential audits in the audit universe are aligned to the corporate objectives, however, they are all allocated a risk (priority) rating.</p>	<p>This analysis will be included in the preparation of the Internal Audit Plan for 2024/25 which will also contain a full refresh of the MK Insight Audit Universe and the revised financial position of the Council.</p>
<p>Action Responsibility</p>	<p>Mark St Romaine</p>
<p>Deadline</p>	<p>April 2024</p>

9. Consultation on the International Professional Practice Framework (Advisory)

Rationale	Agreed Action
<p>Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors global International Professional Practice Framework (IPPF) which is incorporated into the PSIAS, commenced on 1 March 2023. Whilst this will not impact on the Service's current level of conformance, any changes to the Standards arising from the consultation may affect the Service's conformance in the medium term. It is, therefore, suggested that the Head of Internal Audit considers the contents of the consultation document and keeps a watching brief on the developments to the Standards and how this may impact the Service in the medium term.</p>	<p>The Head of Internal Audit is currently being updated on the new framework through their attendance at the Yorkshire Heads of Internal Audit Meeting. Currently there is no indication there will be any significant impact on the overall operation of Internal Audit, but this situation will be kept under review.</p>
<p>Action Responsibility</p>	<p>Mark St Romaine</p>
<p>Deadline</p>	<p>January 2024</p>

