

Report of the Director of Finance and IT to the meeting of the Governance and Audit Committee to be held on 20 July 2023.

I

Subject:

INTERNAL AUDIT ANNUAL REPORT 2022/23

Summary statement:

This report reviews the service Internal Audit has provided to the Council during the financial year 2022/23.

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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Director of Finance and IT

Portfolio

Corporate

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Corporate

1. SUMMARY

1.1 The purpose of this report is to inform members of the Governance and Audit Committee (GAC) about the service Internal Audit has provided to the Council during the financial year 2022/23.

In particular Members are advised of the following:-

- Internal Audit completed 69% of the 2022/23 audit plan which was below the target of 90%. This was due to Internal Audit capacity being less than planned due to delayed recruitment and staff sickness, changes in service management and services prioritising support to be given to Bradford Children and Families Trust
- 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.

1.2 During the last quarter an external assessment of the Service was completed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to determine the level of compliance the service was with public sector internal audit standards. The assessment concluded that the Internal Audit Service generally conforms with the Public Sector Internal Audit Standards which is the highest level of compliance and an improvement on the review five years ago where the service was only partially compliant.

2. BACKGROUND

2.1 Internal Audit is part of the Department of Corporate Resources.

2.2 The Internal Audit Annual Report 2022/23 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 2022/23 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 2022/23.
- 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 2022/23.

12. **APPENDICES**

Appendix 1 – Internal Audit Annual Report 2022/23.

13. **BACKGROUND DOCUMENTS**

13.1 Accounts and Audit Regulations 2015.

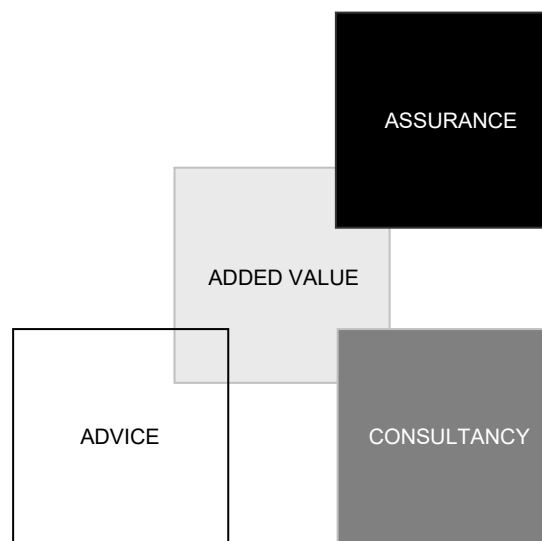
13.2 Public Sector Internal Audit Standards 2017.

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

13.4 GAC report 21 April 2022 – Internal Audit Plan 2022/23.

13.5 GAC report 24 November 2022- Internal Audit Plan 2022/23 Monitoring Report as at 30 September 2022.

INTERNAL AUDIT ANNUAL REPORT 2022/23



DEPARTMENT OF CORPORATE RESOURCES

INTRODUCTION

The aim of this report is to provide information on the activities of Internal Audit during the financial year 2022/23 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 2023

Circulation:-

Members
Chris Kinsella
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 2021/22 (GAC 14th July 2022)
- Internal Audit Plan 2022/23 (GAC 21st April 2022)
- Internal Audit Plan 2022/23 Monitoring Report as at 30 September 2022 (GAC 24th November 2022)

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 2,415 audit days (9.3 FTE) were planned for 2022/23 which was slightly more than the 2,370 days (9.1 FTE) available in 2021/22. The net increase is due to staff being released back into the team from their secondments on business grants and Covid support. However, two staff 1.6 FTEs left the team at the end of March 2022, with the retirement of one Senior Auditor and the promotion of another Senior Auditor to the Council Risk Manager. These vacancies were replaced with the recruitment of a Senior Auditor and an Audit Trainee. In August, one of the Audit Managers left. The service has looked to revise managerial responsibilities in the team to cover this vacancy. This process is currently being finalised. Technically the team has now been left with one vacancy, a Graduate Internal Audit Trainee post. The service will look to keep this post open and fill it if the opportunity and budgetary resources becomes available.

1.3 External Audit

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 2022/23 Internal Audit Plan was shared with External Audit.

1.4 Public Sector Internal Audit Standards

Since 1st April 2013 the Council has been required to comply with the Public Sector Internal Audit Standards (PSIAS). Every five years an external assessment has to be carried out to determine the level of compliance with the standards. The most recent assessment was completed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and took place over the last three months. The assessment concluded that the Internal Audit Service generally conforms with the Public Sector Internal Audit Standards which is the highest level of compliance. This was an improvement of the assessment in 2018 which identified only partial compliance. A number of improvement actions have been identified in the recent report which Internal Audit management have agreed to. The four most important actions are identified below.

- Present the full audit charter to the Governance and Audit Committee Annually
- Define the term Senior Management in the audit charter.

- Define the terms ‘assurance services and ‘consulting services’ in the audit charter.
- All audits in the published audit plans should be prioritised and aligned to the Council’s or Pension Fund objectives.

1.5 Internal Audit Charter

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. A slightly amended Charter has been submitted to the July meeting of the Governance and Audit Committee for their consideration and approval.

1.6 Independence and Objectivity

PSIAS state that Internal Audit must be independent, and that internal auditors must be objective in performing their work. During 2022/23 this requirement has been complied with and there has not been any impairments to Internal Audit’s independence and objectivity in performing its work.

2. SERVICE DELIVERY

2.1 Audit Resources and Coverage

The audit plan for 2022/23 was approved by GAC on 21 April 2022 and was based on 2,415 days of audit resources. The Internal Audit Monitoring Report presented to GAC on 24 November 2022 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 2,116 audit days in 2022/23.

The audit plan was also monitored by assignments completed during the year. In the first half year monitoring report 45% of the plan was achieved. However in the second half of the year only an additional 24% of the plan was completed so in total Internal Audit achieved 69% of the original plan. This was due to Internal Audit capacity being less than planned as there were delays in planned recruitment, a vacant post arose in year which remains unfilled, and three members of staff incurred significant medical events all of which required phased returns. Fortunately, two members of the team have now returned to work full time and the other is on a phased return. In addition, responses from service departments were delayed due to changes in management and as services prioritised support to be given to Bradford Children and Families Trust.

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 2022/23 a total of 72 reports were issued (70 reports in 2021/22).

The reports issued in 2022/23 recorded that the percentage of controls satisfied was 83%, an increase of 6% on the 77% satisfied in 2021/22 and is 8% above the five year average of 75% of controls satisfied. This improvement is attributed to the increased audit coverage in 2022/23 of grants and West Yorkshire Pension Fund, both of which are traditionally well controlled. As in 2021/22 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 2022/23 by audit type is shown in Appendix A.

Chart One: Showing the Breakdown of Total Reports Produced in 2021/22 and 2022/23 by Audit Type

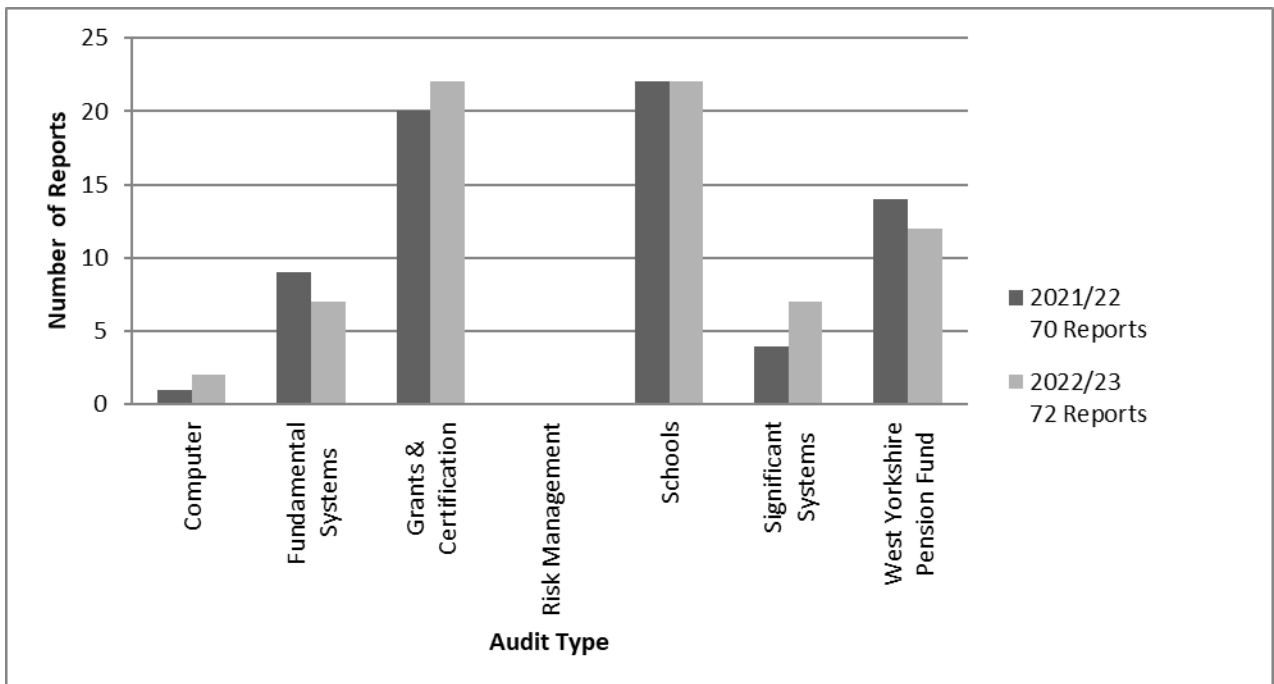
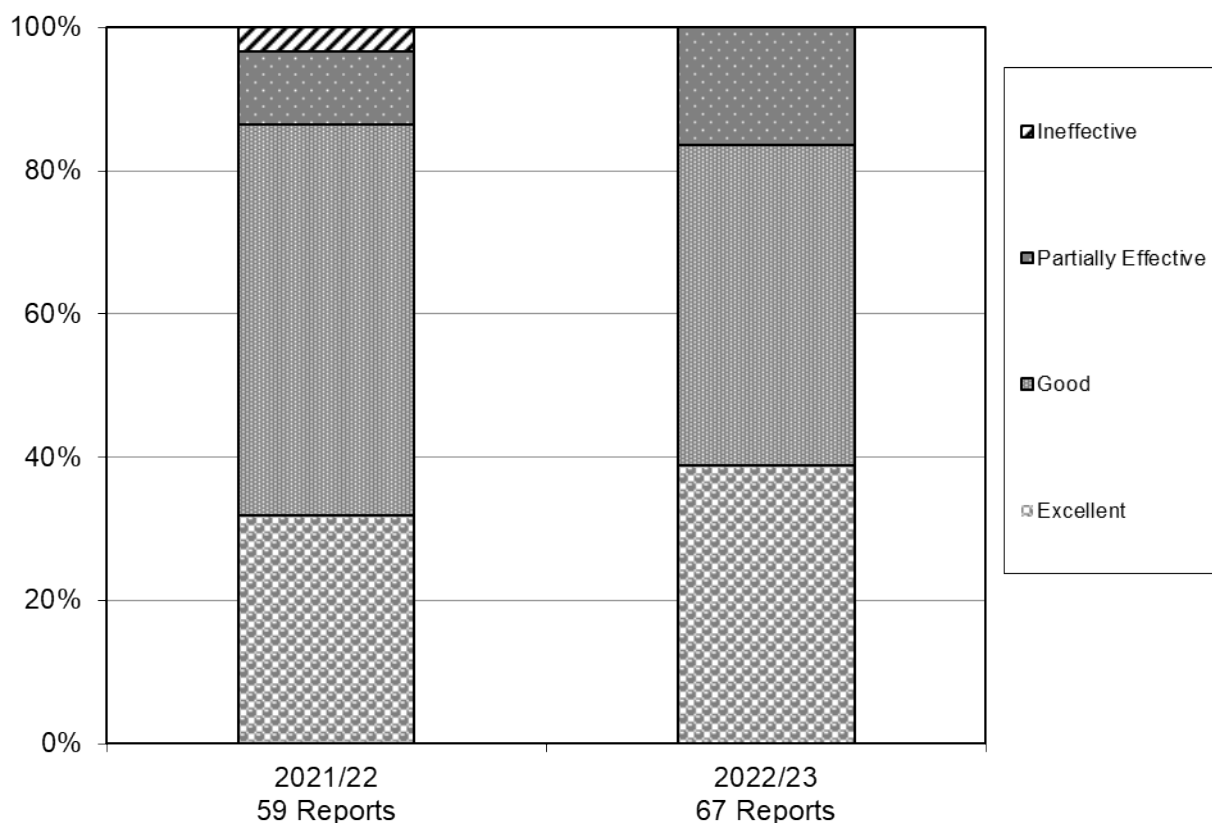


Chart Two, below, shows that, from the evaluation of risks and controls in 2022/23, 84% of the systems examined had either an ‘excellent’ or ‘good’ audit opinion, which is a slight decrease on 2021/22 (86%).

Chart Two: Breakdown of Audit Opinions 1 April 2021 to 31 March 2023



The analysis above relates to those reports with opinions. In 2022/23 67 (84%) out of 72 issued reports had an audit opinion, which is an increase on the 59 (84%) out of 70 issued reports in 2021/22.

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 2022/23 seven fundamental systems reports were issued, three had an opinion of ‘Excellent’ and four had ‘Good’ audit opinions, see table below.

Report Title	Audit Opinion	Issue Date
Accounts Collection Team (Accounts Receivable)	Good	04/04/2022
Business Rates Control Assurance	Good	14/04/2022
Fundamental Systems - Key Controls - Benefits	Excellent	23/05/2022
Supplier Maintenance	Good	14/06/2022
Certification of Pension Contributions 2021/22	Excellent	11/08/2022
Oakworth Crematorium Refurbishment	Excellent	23/02/2023
Contracts Final Accounts Review	Good	30/03/2023

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. 2021/22 was made in accordance with the Grant Determination Letter from the funding body. The number of grants requiring Audit certification in 2022/23 was 18 with a total of 22 reports issued in respect of these. Seven Highways related capital grants, the Disabled Facilities Capital Grant, the Bus Subsidy Revenue Grant, four Clean Air Zone grants and two Getting Building Fund Grants all received 'Excellent' opinions.

Troubled Families Grant certification generated 4 reports during the year. Internal Audit continued to support the Families First Team to make more regular payment by results claims during the financial year. From April 2023, this team operates within the recently formed Bradford Children and Families Trust.

2.5 Significant Systems

Internal Audit produced seven reports relating to significant systems of the Council during 2022/23. Significant systems coverage is varied and unique in some cases and can often result from concerns raised by management.

There were two partially effective opinions relating to Children's Homes. Of the remaining five significant system audits, two had 'Excellent', two had 'Good' audit opinions and one had no opinion. Examples of the work carried out on significant systems in 2022/23 are shown below:

Sky View House Children's Home audit gave a partially effective audit opinion and made five high priority recommendations highlighting practice of purchasing cards being given to other staff members to use, in breach of the compliance usage policy; non-compliant purchasing card spend and lack of guidance governing what is acceptable spend by residential home staff; approval of purchasing card transactions not being made in a timely manner; unsecured safe keys; and staff using incorrect cost centres to account for expenditure. The Willows Children's Home audit also gave a partially effective audit opinion and raised similar issues.

Financial Protection Team audit gave a good audit opinion, raising three high priority recommendations in relation to staff being fully trained on the use of the ContrOCC system; missing Court of Protection orders requiring scanning onto ContrOCC; and the checks on the cash balance and use of the personal allowance carried out during a welfare visit by a Deputy does not include an independent cash count, or a full review of the previous year's expenditure and reconciliation of the receipts to records on behalf of the service user

Health & Safety audit gave a good audit opinion making three high priority recommendations due to a significant number of new employees not completing mandatory Fire Awareness or Health & Safety Induction training; there is no mandatory health and safety training specifically for managers; and none of a sample of managers who had indicated within the Annual Governance

Questionnaire that they had undertaken Health & Safety assessments provided evidence to support their claim. Further work on Fire safety is continuing in 2023/24.

2.6 Value Added

Internal Audit, where possible, adds value in the work that it undertakes. The following is a sample of instances during 2022/23 where value has been added.

Audit Work	Brief Explanation of Savings Identified or Value Added
Office of Public Guardian (OPG) Assurance	The audit of the OPG Assurance Action plan, made in response to numerous concerns being raised in June 2021 regarding the Finance Protection Team's compliance with the OPG's deputy standards, assured management that reported progress against the Action Plan was accurate. The audit also identified control issues within some of the newly created processes resulting in four recommendations made which management are addressing and expect to be resolved as processes become established.
Final Accounts Review	The Final Accounts review gave a good audit opinion and made three high priority audit recommendations regarding concerns that completion of works is not always confirmed by a signed document; highways schemes site visits or meetings are not always documented; housing and school contract payments may not be being checked and appropriately authorised.
Children's Homes	The financial audit at two Children's Homes, Sky View House and The Willows, gave a partially effective audit opinion for each, raising five issues resulting in high priority recommendations highlighting the practice of purchasing cards being shared by staff; non-compliant purchasing card spend and lack of guidance governing acceptable spend by residential home staff; lack of timely approval of purchasing card transactions; unsecure safe keys; and staff using incorrect cost centres to account for expenditure.
Vulnerability Management	The Vulnerability Management review gave a partially effective audit opinion, raising four high priority recommendations regarding the vulnerability discovery, prioritisation, reporting and rectification processes.

2.7 Significant Concerns

In the 21-22 Annual Audit Report a significant concern was raised regarding control weaknesses in control in the accounting of income, identified initially in a Council Tax Assurance audit and further explored by the cash and banking

project that identified a number of controls were not in place. A follow up audit of recommendations made by the cash and banking project is currently ongoing and from the work performed to date it is evident that progress has been made and the standard of control is improving. Reconciliation processes of income on SAP, CAPITA & Northgate are in place and occurring in a timely manner, although the effectiveness of this is undermined as reconciling differences are not being investigated. The standard of control over the accounting of income remains weak, relying on manual processes that are inefficient and at risk of error. This will continue until an automatic interface between CAPITA and SAP systems is developed when resources allow.

There were two further areas of significant concern in 2021/22. Direct payments and vehicle security. The position on these audits will be confirmed during the follow up process and reported to the Governance and Audit Committee in the half year monitoring report.

There were no reports with an ineffective audit opinion in 2022/23 or any additional significant concerns that require reporting to the Governance and Audit Committee.

2.8 Follow Up of Audit Recommendations

It is important that agreed Audit Recommendations are implemented to ensure the control environment of the Council is resilient. Internal Audit will undertake an exercise in the summer of 2023 to assess the level of implementation across the Council and report back to the Governance and Audit Committee in the half year monitoring report in November.

2.9 Schools

In the financial year 2022/23, 21 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; however, with increasing opportunities to partially audit on actual school premises during the year and this will be further pursued as circumstances allow in 2023/24. Themed audits were also undertaken for the first time in many years.

a) Reports issued

A chronological breakdown of the reports is as follows;

- the first report related to an audit of the School Funding Allocation (Dedicated Schools Grant) system and had the audit opinion of Effective.
- the second report was an analysis of school self-assessment returns relating to the Schools Financial Value Standard (SFVS) process for 2021/22; this report was issued to the Director of Finance and is referred to in more detail below.
- the third to the twelfth reports (10 reports in total) related to individual school audits undertaken, which included recommendations to improve the control environment at each school, with six having the opinion of Good and four of Partially Effective
- the thirteenth to the seventeenth reports (five in total) related to individual school audits undertaken on the theme of Safeguarding and Safer

Recruitment. All five had the opinion of Good and no recommendations were required that identified improvements.

- reports eighteen to twenty-one (four in total) related to individual school audits undertaken on the theme of Related Party Transactions, declared as part of the SFVS process for 2021/22. The reports included recommendations for improvement where applicable, with two reports having the opinion of Effective and two of Partially Effective. This is referred to in more detail below.

As maintained school numbers continue to reduce, the position regarding academy conversions will continue to be monitored throughout 2023/24 to ensure audit resources are focussed appropriately in the context of this changing landscape.

b) Approach to delivering school audits

During the year, the remote audit approach introduced at the time of the Pandemic continued; focusing on three financially significant key system areas; Governance and accountability, Purchasing and payments, and Payroll. As the year progressed, increasing opportunities emerged to allow actual access to school premises to complete audits.

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 2022/23, detailed audit testing was undertaken at 10 schools, this compares with 15 audited in 2021/22; the selection of a reduced number this year allowed limited audit resources to be focused on Internal Audit's priorities of fundamental and significant systems. 10 final reports were issued to the schools, as referred to above. 15 schools are planned to be selected and audited in 2023/24, with the opportunities for directly accessing school premises being under continuous review.

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 Department for Education (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 2023 deadline, 73 (97%), of the 75 expected returns had been received. By the 28th April, following engagement with two schools, all 75 (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 continued to offer SFVS guidance and support (mostly remotely) during the 2022/23 financial year. It was also possible, through collaboration with the Council's School Governor Service, to deliver two training sessions during the year, one online via a Microsoft Teams webinar and also one in-person training session held at Margaret Macmillan Tower.

For the first time in 2022, Question 26 on the SFVS annual return required schools to provide information and assurance for related party transactions; "Are there adequate arrangements in place to manage related party transactions and has a complete list of related party transactions been appended to the checklist document?" The SFVS guidance for question 26 also recommended that local authorities pay close attention to those single related party transactions valued at over £20,000 and gave Councils a discretion to seek further information for additional assurance. Resulting from the new guidance, Internal Audit sought further information from four schools on the theme of related party transactions, as referred to above, from their financial declarations as part of the SFVS process.

d) Sixth Form Funding Assurance

Internal Audit provided two high level assurance pieces of work in relation to sixth form funding for 2020/21 and 2021/22 totalling £6.9m and £7.2m respectively. This enabled the individual funding assurance statements to be signed off by the Council's Section 151 officer and were submitted to the DfE by their respective due dates in April 2022 and December 2022.

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 2022/23 a number of audit assignments commenced with two reaching the final report stage. The Mobile Device Management review gave a good audit opinion, whilst the Vulnerability Management review found that the control of risks in this area was only partially effective and made four high priority recommendations for improvement. In response to this ICT have put a project in place, to reduce the time taken to identify and fix vulnerabilities. The project is

progressing and due to complete by end of March 2023. This will be reviewed in the follow up exercise.

2.11 Risk Management

There were no Internal Audits completed on risk management in 2022/23 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

Since 2020/21 Council Management Team implemented a much broader approach to governance putting in place a management assurance questionnaire. In 2021/22 this covered the following areas.

- Employee Code of Conduct
- Equality
- Performance Service Plans
- Performance Staff Appraisals
- Performance Outstanding Recommendations
- Whistleblowing
- Safeguarding
- Risk Management
- Information Governance
- Health and Safety
- Financial Systems
- Procurement
- Conflicts of Interest
- Service Governance

This was compulsory for all 4th Tier Managers and used as one of the key pieces of evidence to support the 2021/22 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 2022/23. In addition, Internal Audit will be looking to assess the quality of the responses.

2.13 West Yorkshire Pension Fund

During 2022/23, Internal Audit carried out a variety of audits within WYPF. These included:

- **Shared Service Admission** - At the time of this audit review, in addition to the local government pensions paid each month, West Yorkshire Pension Fund was also providing a pensions administration service to a further 3 LGPS Funds and 21 Fire and Rescue Authorities on a shared service basis. The audit reviewed the processes and procedures in place with regard to the

West Yorkshire Pension Fund's growth of its shared service provision. The control environment was found to be of a good standard with a number of recommendations being made to enhance the process.

- **Northern LGPS Collaborative Work NPEP** - As part of the formation of the Northern LGPS, the Northern Private Equity Pool (NPEP) was established as a joint venture structured as an English partnership. The partnership operates as a single legal entity through which the three Northern LGPS Funds can invest collectively and collaboratively in private equity assets. This audit reviewed the systems and controls which exist within the NPEP investment operations 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 three recommendations for improvement being made.
- **New Pensions and Lump Sums Deferred Benefits** - This audit examined the calculation of the deferred pension benefits for those members who have left the employment of a scheme employer. The control environment for this process was found to be of a good standard with one recommendation for improvement being made.
- **Reimbursement of Agency Payments** - This audit examined the reimbursement of payments made in respect of the administration service provided by the WYPF for its shared service clients i.e. other LGPS Funds and Fire and Rescue Authorities. The control environment around this process was found to be of an excellent standard with no recommendations for improvement being required.
- **Review of the West Yorkshire Pension Fund 2021/22 Accounts** - This is an annual account review process, which ensures the final account is consistent with internal control reviews carried out by the Internal Audit Team during the year.
- **AVC Arrangements** - Members of the Local Government Pension Scheme have the opportunity of paying extra contributions into the West Yorkshire Pension Fund AVC Plan, which can be arranged with three providers, Scottish Widows, Prudential or Utmost. The standard of control around these arrangements was found to be good, however, a number of recommendations were made to enhance the control of this process.
- **Equities** - Since November 2019, all quoted investments are now held under the custody of the Northern Trust Bank (previously HSBC), and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the annual audit review of this asset class found the process to be well controlled with no recommendations for improvement being made.
- **Fire Service New Pensions and Lump Sums Normal and Early Retirements** - At the time of the audit, West Yorkshire Pension Fund provided an administration service for the payment of 21 fire and rescue authority pensions. This audit examined the calculation of the annual pension and the lump sum following a Fire Pension member's decision to retire. The control environment was largely as required resulting in one recommendation for improvement.

- **Annual Benefit Statements** - All active and deferred members of Local Government Pension Scheme and Fire Service Schemes, receive an Annual Benefit Statement. This statement provides a number of pension details which demonstrate the value of their current benefits calculated from information provided by the member's employer on their monthly returns. No issues were identified during the course of this audit.
- **UK Fixed and Index Linked Public and Corporate Bonds** - Investment in this asset class at the time of the audit was approximately 13% of the total investment portfolio. The control environment for this asset class was deemed to be excellent with no issues identified.
- **Treasury Management** - This audit reviewed the arrangements in place for Treasury Management, to ensure that surplus cash is invested in the most appropriate ways. Controls in this area were found to be excellent.
- **UK and Overseas Unit Trusts (Property and Other)** - Approximately 4% of the West Yorkshire Pension Fund investment portfolio is held in Property Unit Trusts. The control environment surrounding the UK Property Unit Trusts was deemed to be largely as expected with one recommendation for improvement being made.

2.14 Changes to the 2022/23 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 2022/23 Audit Plan over and above those that were reported in the Internal Audit Monitoring Report presented to GAC on 24 November 2022 is shown in Appendix B. Appendix B also shows 2022/23 planned audits that were ongoing as at 31.3.23.

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:-

The audit process was completed in a timely manner, the process was explained well and I was kept informed throughout - no concerns or recommendations to add.

I have worked with the auditor on several audits and she is clear and approachable with regard to the audit requirements and recommendations/ issues that might arise.

The auditor was really friendly and approachable and understood what we needed and supported our request for audit certification very professionally

As I am new to this position I found the auditor's knowledge and advice extremely helpful and feel confident that I am compliant in my role.

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%. 91% 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 2022/23 QAIP and details progress against each

Issue	Description	Improvement
PSIAS understanding	Staff need to confirm that they have read and understood PSIAS and if there are any queries or concern regarding compliance then these need to be raised with management?	A training Session in January 2023 was planned for the whole team but this did not go ahead. Three members of the team went to the CIPFA North West Internal Audit, Risk and Governance Weekend Conference and shared the training material with the rest of the team. The team have been given access to the External Assessment of the Service by CIPFA which will increase their understanding of public sector internal audit standards. Still intend to run a training session for the Internal Audit Team.
Code of Ethics / Objectivity	Evidence base of compliance with this code of ethics E.g. All staff be required to comply with the PSIAS code of ethics as part of their appraisal objectives All internal Audit staff have confirmed that they have read the Code of Ethics/Internal	All staff updated their Conflicts of Interest form. Further work required on the Code of Ethics the internal charter and the seven Principles of Public Life, however the work will refresh existing knowledge due to the experience of the Team.

	Audit Charter, understand it and have regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'?	
Staff Proficiency/CPD	Skills assessment/review performance reviews for any stated needs to identify skills gap and develop staff's internal audit skills?	Skills Assessment to be completed as part of next year's Evolve Programme. Weakness identified that technical training is not maintained with the council generic training records.
Governance	The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.	This was Incorporated into the 23/34 Annual Internal Audit Plan
Risk Management	Scale of internal audit work on risk management processes need to increase in future so that there is sufficient independent and objective assurance provided on risk management processes.	This was Incorporated into the 23/34 Annual Internal Audit Plan
Audit coverage of fundamental and significant systems	Need to maximise coverage of Fundamental and Significant Systems in 22/23 in advance of peer review.	This was incorporated into the 23/34 Annual Internal Audit Plan and resources were focused in this area for the second half of 2022/23.
Efficiency and effectiveness of Internal Audit	Need to assess hybrid working arrangements to identify what works well and what doesn't for the service. Establish and implement an action plan to address those areas where improvements are required.	The team has increased its level of onsite working and being office based, but no substantial move away from home working. Council's Hybrid working arrangements are very flexible so no formal hybrid way of working currently enforced.

2.17 Training and Development

In 2022/23 three members of the team attended the North West Internal Audit, Risk and Governance Weekend Conference to update themselves on developments in Internal Audit. The Service recruited a new Internal Audit Graduate Trainee. The Council's first Internal Audit Graduate Trainee successfully passed all their Institute of Internal Auditors exams and is on track to gain the professional qualification and graduate with a Masters in Internal Audit Management & Consultancy in 2023/24.

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.

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 2023/24.

Appendix A

Details of the Audit Reports Issued in 2022/23 by Audit Type

Audit Category	Client	Opinion	Title	Final Report Issue Date
Computer Audit	Corporate Resources	Partially Effective	Vulnerability Management	26/08/2022
Computer Audit	Corporate Resources	Good	Mobile Device Management	26/08/2022
Fundamental Systems	Corporate Resources	Good	Accounts Collection Team (Accounts Receivable)	04/04/2022
Fundamental Systems	Corporate Resources	Good	Business Rates Control Assurance	14/04/2022
Fundamental Systems	Corporate Resources	Excellent	Fundamental Systems - Key Controls - Benefits	23/05/2022
Fundamental Systems	Corporate Resources	Good	Supplier Maintenance	14/06/2022
Fundamental Systems	Corporate Resources	Excellent	Certification of Pension Contributions 2021/22	11/08/2022
Fundamental Systems	Place	Excellent	Oakworth Crematorium Refurbishment	23/02/2023
Fundamental Systems	Place	Good	Contracts Final Accounts Review	30/03/2023
Grants	Children's Services	Good	Supporting Families (Families First) Funding 2022/23 Q1	24/06/2022
Grants	Children's Services	Partially Effective	PE & Sport Premium Grant 2020/21	14/07/2022
Grants	Children's Services	Good	Supporting Families (Families First) Funding 2022/23 Q2	28/09/2022
Grants	Children's Services	Excellent	Local Authority Bus Subsidy (Revenue) Grant 2021/22	29/09/2022
Grants	Children's Services	Good	Supporting Families (Families First) Funding 2022/23 Q3	11/01/2023
Grants	Children's Services	Good	Supporting Families (Families First) Funding 2022/23 Q4	28/03/2023
Grants	Health & Wellbeing	N/A	Test and Trace Support Payment	11/10/2022
Grants	Place	Excellent	Clean Air Implementation Fund Revenue Grant 2021/22	04/07/2022
Grants	Place	Excellent	Clean Air Fund Revenue Grant 2021/22	04/07/2022
Grants	Place	Excellent	Clean Air Fund Capital Grant 2021/22	04/07/2022
Grants	Place	Excellent	Clean Air Implementation Fund Capital Grant 2021/22	04/07/2022
Grants	Place	Excellent	Getting Building Fund - Bradford City Village - Grant Certification	23/08/2022
Grants	Place	Excellent	Pot Hole Funding 21/22	26/08/2022
Grants	Place	Excellent	WYCA Local Transport Block Capital Funding 2021/22	26/08/2022
Grants	Place	Excellent	Highways Maintenance Challenge Fund 2021/22	26/08/2022
Grants	Place	Excellent	West Yorkshire Plus Transport Fund	05/09/2022

Grants	Place	Excellent	Highways grant -Transformimg Cities	05/09/2022
Grants	Place	Excellent	Highways grant - City Connect	05/09/2022
Grants	Place	Excellent	Getting Building Fund - One City Park	05/09/2022
Grants	Place	Good	Active Travel Grant - Tranche 2	15/09/2022
Grants	Place	Excellent	Disabled Facilities Grant 21/22	08/11/2022
Grants	Place	N/A	Innovate UK Business Growth Expansion – Advisory Services	24/06/2022
Schools	Children's Services	Satisfactory	6th Form Funding Assurance Statement 2020-21	30/04/2022
Schools	Children's Services	N/A	Analysis of SFVS Returns 2022	17/05/2022
Schools	Children's Services	Good	Bowling Park Primary School	08/07/2022
Schools	Children's Services	Good	Strong Close Nursery School	08/07/2022
Schools	Children's Services	Good	Keelham Primary School	08/09/2022
Schools	Children's Services	Partially Effective	Addingham Primary School	12/09/2022
Schools	Children's Services	Good	Beechcliffe School	14/09/2022
Schools	Children's Services	Partially Effective	Swain House Primary School	15/09/2022
Schools	Children's Services	Partially Effective	Sandy Lane Primary School	15/09/2022
Schools	Children's Services	Good	Ben Rhydding Primary School	15/09/2022
Schools	Children's Services	Good	St. Mary's and St. Peter's Catholic Primary School	26/09/2022
Schools	Children's Services	Partially Effective	Long Lee Primary School	27/09/2022
Schools	Children's Services	Good	6th Form Funding Assurance Statement 2021-22	09/12/2022
Schools	Children's Services	Good	Safeguarding and Safer Recruitment Audit 2022 - Bankfoot Primary	16/12/2022
Schools	Children's Services	Good	Safeguarding and Safer Recruitment Audit 2022 - Eastburn Primary	20/12/2022
Schools	Children's Services	Good	Safeguarding and Safer Recruitment Audit 2022 - Trinity All Saints Primary	20/12/2022
Schools	Children's Services	Good	Safeguarding and Safer Recruitment Audit 2022 - Wellington Primary	23/01/2023
Schools	Children's Services	Good	Safeguarding and Safer Recruitment Audit 2022 - Parkside Primary	02/02/2023
Schools	Children's Services	Partially Effective	SFVS RPT Riddlesden St Mary's Final Report 2023	06/03/2023
Schools	Children's Services	Effective	SFVS RPT Ashlands Final Report 2023	08/03/2023
Schools	Children's Services	Effective	SFVS RPT Thackley Final Report 2023	09/03/2023
Schools	Children's Services	Partially Effective	SFVS RPT Canterbury Final Report 2023	09/03/2023

Significant Systems	Children's Services	Partially Effective	The Willows Children's Home	06/05/2022
Significant Systems	Children's Services	Partially Effective	Sky View House Children's Home	10/05/2022
Significant Systems	Children's Services	Excellent	Post 16 Placements - Follow Up	09/12/2022
Significant Systems	Corporate Resources	Effective	School Funding Allocation	09/05/2022
Significant Systems	Health & Wellbeing	N/A	OPG Assurance Action plan	28/07/2022
Significant Systems	Health & Wellbeing	Good	Financial Protection Team	26/10/2022
Significant Systems	Human Resources	Good	Health & Safety	01/06/2022
West Yorkshire Pension Fund	Chief Executive	Good	WYPF Shared Service Partner Admission	07/04/2022
West Yorkshire Pension Fund	Chief Executive	Good	WYPF New Pension & Lump Sum Payments Fire Services	23/06/2022
West Yorkshire Pension Fund	Chief Executive	Good	WYPF New Pension & Lump Sum Payments Deferred Members	28/06/2022
West Yorkshire Pension Fund	Chief Executive	Good	Northern LGPS - Northern Private Equity Pool.	29/06/2022
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF UK Fixed & Index Linked Public & Corporate Sector Bonds	18/08/2022
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF Annual Benefits Statements	30/09/2022
West Yorkshire Pension Fund	Chief Executive	Good	WYPF AVC Arrangements	21/12/2022
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF Treasury Management 2022/23	13/01/2023
West Yorkshire Pension Fund	Chief Executive	N/A	WYPF Review of 2021/22 Report and Accounts	17/01/2023
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF Equities 2022/23	01/02/2023
West Yorkshire Pension Fund	Chief Executive	Good	WYPF UK & Overseas Unit Trusts Property & Other	06/02/2023
West Yorkshire Pension Fund	Chief Executive	Excellent	WYPF Reimbursement of Agency Payments	10/03/2023

Amendments to the 2022/23 Audit Plan

Below is a list of audits that were added or deleted from the 2022/23 Audit Plan over and above those that were reported to GAC in the Internal Audit Monitoring Report on 24 November 2022. In addition, it shows audits that were started in 2022/23 but have carried forward into the 2023/24 financial year. Audits that were deleted from the Plan have been categorised dependent on whether they will start in 2023/24 or at a time further in the future.

Additional unplanned audit work commenced / done in 2022/23
Valley View Court
2022/23 Planned Audits Ongoing as at 31.3.23
Miscellaneous Payments
Accounts Payable Assurance
Accounts Receivable Assurance
Cash and Banking Project
Council Tax - Valuation & Billing
NDR - Valuation & Billing
Business Improvement Districts
Travel Assistance
Members' Allowances
Built Environment
Miscellaneous Rents
Valley View Court
Waste Management
ICT Business Continuity
Software Asset & Licence Management
5 school audits
WYPF Independent Dispute Resolution Process
Deferred Payment for Care - Follow Up
Planning Applications and Building Regulations Fees
E-mail Management
Third Party Access Management
Service Desk Management
GLIL
Exit Credits
Planned audit work proposed in 2022/23but deferred to 2023/24
Capital Programme
Budgetary Control/Financial Management
Cash Management
Council Tax - Enforcement & Write Offs
External Payroll Provision including billing for salary costs
Payroll Controls Assurance
Conflicts of Interest
School Catering
IR35
Transitional Planning
Data Quality (H&WB)
Risk Management Audits
4 school audits
Planned audit work proposed in 2022/23 but deferred beyond 2023/24
NDR - Enforcement & Write Offs
Contract Management Review
Energy Management/Carbon Reduction/Utilities
Taxi Licensing
Homelessness
S106 Infrastructure Levy
Swimming Pool / Sports Centre Income
Insurance

