

Report of the Director of Corporate Services to the meeting of the Governance and Audit Committee to be held on 30 November 2017.

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Subject:

INTERNAL AUDIT PLAN 2017/18 – MONITORING REPORT AS AT 30 SEPTEMBER 2017

Summary statement:

This report monitors the progress made by Internal Audit against the Internal Audit Plan for 2017/18 as at 30 September 2017.

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Portfolio

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Corporate

SUMMARY

- 1.1 The purpose of this report is to bring to the attention of members of the Governance and Audit Committee (G&AC) any significant issues arising from the audit work undertaken to date and to inform them about the progress made up to 30 September 2017, against the Internal Audit Plan, which was approved by the Committee on 25 April 2017.

2. BACKGROUND

- 2.1 Internal Audit is part of Financial Services within the Department of Corporate Services. This is the half year monitoring report on the Internal Audit Plan for 2017/18. This is detailed in Appendix 1. The overall Audit Opinion is that from the audit work performed to date, Internal Audit concludes that the Council's overall control framework is mostly effective.
- 2.2 The report enables the Council to demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS). These require the Head of Internal Audit to report periodically to the Governance and Audit Committee on Internal Audit's activity, purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested either by senior management or the Governance and Audit Committee.

The PSIAS also require the Head of Internal Audit to communicate the Internal Audit activity's plans and resource requirements, including significant interim changes, to the Governance and Audit Committee, including any impact of resource limitations.

- 2.3 From 1st September 2014 Wakefield and Bradford Councils shared a Head of Internal Audit. However in September this year Wakefield's Council Management Team (CMT) determined that this was a route they no longer wished to pursue, including the work that was being completed in relation to Counter Fraud. From October, this joint working operation has ceased to be in operation, which is disappointing considering the resource and investment that was committed to making the arrangement work for the last three years. Whilst Wakefield CMT received a report on the arrangement, which was shared with Bradford, it is still unclear why Wakefield changed their view on this approach, when it was Wakefield who initially instigated the arrangement in 2014.

Bradford has also brought in 60 days per annum of computer audit service from Wakefield. Due to internal workload considerations in Wakefield this arrangement has been temporarily put on hold. If the opportunity arises in the future to continue this arrangement then Bradford would wish to continue this in 2018/19.

- 2.4 In January 2018 Peter Jackson, the Audit Manager for Doncaster Internal Audit, will be undertaking the external assessment of Bradford Internal Audit. This will assess the level of compliance with PSIAS. The findings will be reported to the Governance and Audit Committee, in accordance with their decision on the 29th September 2016.

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 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 and deal with financial uncertainty.

7. RISK MANAGEMENT

7.1 The work undertaken by 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 2017/18 was drawn up and any issues on the risk register that relate to an individual audit are included within the scope.

7.2 The key risks examined in our audits are discussed with management at the start of the audit and the implementation of recommendations is followed up with 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. These standards are detailed in the Public Sector Internal Audit Standards supported by CIPFA's Local Government Application Note.

9. OTHER IMPLICATIONS

9.1 Equal Rights

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.

10. **NOT FOR PUBLICATION DOCUMENTS**

10.1 None.

11. **RECOMMENDATIONS**

That the Governance and Audit Committee:

11.1 Takes assurance from the results to date that show that the control environment of the authority is overall satisfactory.

11.2 Endorse the anticipated coverage and changes of Internal Audit work during the year.

11.3 Requires Internal Audit to monitor the control environment and continues to assess areas of control weakness and the ability of management to deliver improvements to the control environment when required.

11.4 Requires Internal Audit to monitor its resourcing levels to ensure that they are sufficient and appropriate to support an effective Internal Audit function.

12. **APPENDICES**

Appendix 1 – Internal Audit Plan for 2017/18 – Monitoring Report as at 30th September 2017.

13. **BACKGROUND DOCUMENTS**

13.1 G&AC report dated 25 April 2017 – Internal Audit Plan 2017/18.

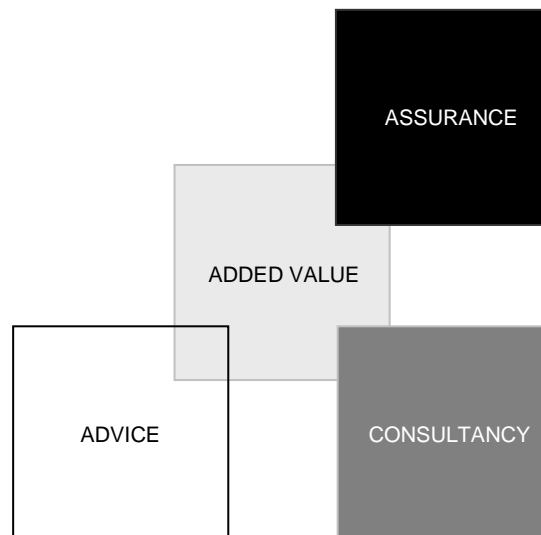
Internal Audit



INTERNAL AUDIT PLAN 2017/18

MONITORING REPORT

AS AT 30.09.17.



DEPARTMENT OF CORPORATE SERVICES

1 INTRODUCTION

- 1.1 The Internal Audit Annual Plan for 2017/18 was approved by the Governance and Audit Committee (G&AC) at its meeting on 25 April 2017. This report is the half year monitoring report for this financial year. It identifies the progress made against the Internal Audit Plan up until 30 September 2017 and identifies any significant audit issues arising.
- 1.2 The report enables the Council to demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS). These require the Head of Internal Audit to report periodically to the Governance and Audit Committee on Internal Audit's activity, purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested either by senior management or the Governance and Audit Committee.
- 1.3 The PSIAS also require the Head of Internal Audit to communicate the Internal Audit activity's plans and resource requirements, including significant interim changes, to the Governance and Audit Committee, including any impact of resource limitations

2 RESOURCES

2.1 Reduction in Audit Resources

The Internal Audit Plan for 2017/18 has the same capacity as in 2016/17 (1877 days) but is significantly less than the capacity it had a few years ago. This net reduction has required the Service in conjunction with the s151 officer to consider and prioritise the use of these resources. The main core delivery of Internal Audit in 2017/18 was planned to be the provision of assurance on the Council's fundamental financial systems.

From 1st September 2014 Wakefield and Bradford Councils shared a Head of Internal Audit. However in September in this year Wakefield's Council Management Team (CMT) determined that this was a route they no longer wished to pursue including the work that was being completed in relation to Counter Fraud. From October this joint working operation has ceased to be in operation

Currently the work with Wakefield, along with the management of insurance and information governance and accountancy support to Bradford, absorb 194 days (10%) of the available planned 1877 days. This will be amended in the second half of the year. In addition, a further 170 days are provided to West Yorkshire Pension Fund. The net audit days currently provided to Bradford Council in 2017/18 is 1513 days.

2.2 MK Insight

The 2017/18 plan contains a provision of time to complete the implementation of MK Insight that commenced in 2016/17. MK Insight is an integrated Internal Audit ICT package produced by Morgan Kai that delivers the full range of Internal Audit functionality from planning, to reporting, including time recording and working paper preparation. MK Insight replaces a collection of manual and Microsoft based documents and out of date in house packages previously used.

Following a period of training and development MK Insight started to be used by the Internal Audit Team in January 2017 and was used by Audit Management to produce the 2017/18 audit plan. MK Insight is now being used by all staff to produce audits,, report their findings and deliver the 2017/18 audit plan. The following up of audit recommendations and the reporting of performance via MK Insight are currently under development.

3 SERVICE DELIVERY

3.1 Audit Coverage

As at 30 September 2017, 38% of the 2017/18 audit plan has been completed compared to last year when 44% of the 2016/17 audit plan had been completed by this time. This reduction in plan delivery is due to Internal Audit needing to spend more time on planned audits in order to pursue issues identified and involvement in ongoing investigations being greater than anticipated. The service has also experienced higher levels of staff sickness than in prior years.

Internal Audit faces a challenge in the second half of 2017/18 to deliver the audit plan. This challenge is due to the available resources of the function, which now has very limited capacity to absorb unforeseen audit issues and unplanned work, without it affecting the delivery of planned core audit work.

During the year to date there have been some revisions to the 2017/18 audit plan to reflect the priorities of the service and that several audits are taking more time to complete than was anticipated. These plan changes are detailed in section 3.8. The net effect of the proposed changes is that the section will audit less significant and fundamental systems than planned.

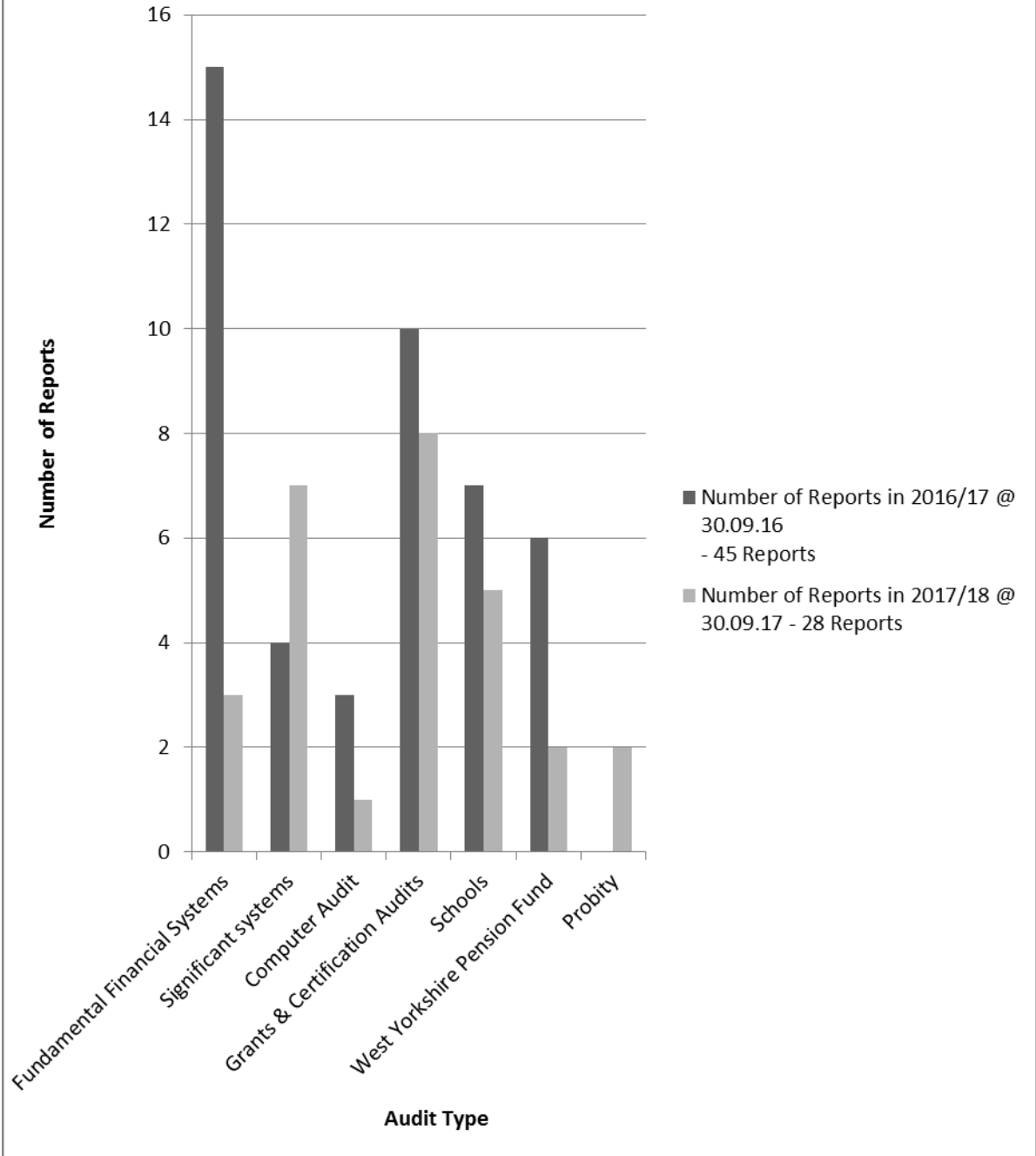
Currently it is forecast that approximately 80% of the audit plan will be delivered by the end of the financial year, which is less than the target level of completion (90%). However, due to its relatively low resourcing levels, this forecast is more sensitive to changes in available resources than in prior years.

3.2 Reports Issued

All Internal Audit assignments result in an Audit Report that identifies the audit coverage, findings from the audit, risks arising from identified control weaknesses and prioritised audit recommendations. Chart One below shows that as at 30 September 2017 a total of 28 reports have been issued, which compares with 45 at this time last year. The chart shows a breakdown of the reports by audit type.

The reduction in the number of reports issued is due to the reduction in available resources and involvement in investigations.

Chart One: Showing the Breakdown by Audit Type of Audit Reports Produced As At 30 September 2016 and 2017



3.3 Control Environment

The following table details the opinions from those audits over the last two years where an appraisal of the overall system could be obtained. As can be seen the proportion of reports assessed as either adequate, good or excellent opinions is generally consistent over time and account for approximately 80% of the opinions reached. Whilst reassuring, this is as expected as Internal Audit’s core focus is on fundamental and significant systems. Further, Internal Audit’s work includes an

increasing proportion of grant certification and West Yorkshire Pension Fund audits, both of which have a track record of being generally well controlled.

Table One: Six Monthly Analysis of Audit Opinions raised in Internal Audit Reports issued in the Period 1 October 2015 to 30 September 2017

Opinions	1 Oct 2015 and 31 March 2016		1 April 2016 and 30 Sept 2016		1 Oct 2016 and 31 March 2017		1 April 2017 and 30 Sept 2017	
	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion
Excellent/Effective*	4	15%	9	29%	8	25%	9	41%
Good/Mostly Effective*	6	23%	8	26%	10	31%	6	27%
Satisfactory	13	50%	9	29%	10	31%	2	9%
Limited Assurance / Partially Effective*	3	12%	5	16%	4	13%	4	18%
No Assurance/Ineffective*	0	0%	0	0%	0	0%	1	5%
Total Relevant Reports	26		31		32		22	
Not applicable**	5		14		5		6	
Total Reports	31		45		37		28	

* On implementing MK Insight, Internal Audit has, reduced the number of audit opinion categories from 5 to 4. The new audit opinions range from Effective to Ineffective that started to be used from 2017. Consequently, the former audit opinion of satisfactory does not have a direct comparator going forward.

** Internal Audit gives an opinion on the control environment whenever it is appropriate to do so. However, audit reports that provide advice, review specific control concerns or investigate irregularities generally do not have an opinion as they are too limited in scope.

The analysis above relates to those reports with opinions. Opinions are derived from a standard analysis of the level of control satisfaction and 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.

The proportion of reports issued without an opinion being expressed is decreasing over time, but still represents around 20% (6) of all reports issued over the period 1.4.17 to 30.09.17.

The audit work has identified that 73% of controls examined were operating satisfactorily. All concerns arising from the audit assignments result in an audit recommendation. To date 98% of our audit recommendations have been accepted by management. This is consistent with the 2016/17 outcome (100%).

3.4 Follow Up Audits

3.4.1 Internal Audit currently follows up its audit work in two ways – Annual follow up returns from Directors and performing individual follow up audits. The purpose of this section is to report the progress that Directors have confirmed as being made in implementing previously agreed Internal Audit recommendations and also to inform G&AC of the Internal Audit follow up audits to be undertaken during the year.

3.4.2 Annual Returns From Directors

Analysis of the Annual Returns from Directors is shown in Table Two below.

Table Two: Analysis of Director's Reported Rate of Implementation of Agreed Recommendations for Reports issued up to 31.03.17

Department	Total in Follow Up		Overall Progress of Implementation		Outstanding Reports & Rec's Carried Forward		No Progress in Level of Implementation During Year	
	Reports	Rec's	2017/18	2016/17	Reports	Rec's	Reports	Rec's
Chief Executive	4	4	100%	100%	0	0	0	0
Children's Services	20	79	78%	90%	9	24	1	1
Corporate Services	25	49	91%	89%	9	10	0	0
Health & Wellbeing	3	5	30%	99%	3	5	1	1
Place	13	31	95%	90%	4	10	2	3
Total for all Departments	65	168	78%	93%	25	49	4	5

There were a total of 65 reports containing 168 High Priority recommendations which were followed up with Directors. This included 23 reports and 49 agreed recommendations that were carried forward as not fully implemented at the time of last year's follow up, and 42 reports and 119 agreed recommendations issued during the 2016/17 financial year. All recommendations included in the follow up had passed their agreed implementation date. The Directors' returns showed that 58% of reports and 68% of recommendations were fully implemented during the year, which is a decrease from last year's figures (70% and 78% respectively). If progress is adjusted to reflect overall progress for each report, including partial completion (as shown on the Covalent system which is used to monitor the recommendations) the total progress of implementation of recommendations is 78% which is significantly lower than last year's position of 93%.

Unfortunately this year's progress figures are skewed as no update was received from Health and Wellbeing therefore the 2 reports that were issued during 2016/17 show as having no progress and the position relating to the report brought forward from last year is unchanged. These reports were:

Community Care Payments Assurance: Issued 20.02.2015
 Individual Service Funds: Issued 11.04.2016
 Direct Payments: Issued 23.09.2016

In addition, Children's Services were unable to obtain updates from the following schools.

Lidget Green Primary School: Issued 10.03.2017
 Chellow Heights Special School: Issued 03.03.2017
 Canterbury Nursery School and Centre for Children & Families: Issued 31.03.17
 Primary PE & Sport Premium 2014/15 – Chellow Heights Special School: Issued 05.06.2015
 12-13 Hanson School: Issued: 01.02.2013

Although too late for this report, Internal Audit will continue to seek an update on these recommendations.

Those Departments which had provided complete updates showed progress that matched or exceeded last year.

The Director's returns showed no significant change in the number of reports and recommendations carried forward at the end of 2016/17 or those carried forward for a second year.

Due to the introduction of the MKI Audit software, 2016/17 is the last year in which Covalent will be used to keep track of the implementation of recommendation. Any recommendations which are not fully implemented will be transferred to MKI for future follow up.

3.4.3 Individual Follow Up Audits

In previous years the Follow Up process has included verifying the accuracy of a sample of reports that were confirmed as fully implemented within the Director's Returns. In recent years the accuracy of reporting has been found to be improving, therefore due to this and reducing resources, the time available for carrying out follow up audits in 2017/18 has been allocated to confirming that adequate progress is being made to address the more significant weaknesses identified in previous reports.

Six follow up audits will be carried out in 2016/17 including Direct Payments to Social Care Clients, which was referred to within the Audit Opinion of the 2016/17 Annual Audit Report. To date one follow up on a Facilities Management Contractor Operating at a Secondary School (which was also within the Audit Opinion of the 2016/17 report) has commenced and further details of this are given in Appendix B below.

3.5 Procurement Support

There are currently a number of reviews in relation to procurement activity. This is involving a number of officers across Corporate Services. This is being supported by Internal Audit on an on going basis as the investigation progresses.

3.6 Summary of Audit Reports and Findings

A summary of the routine audits undertaken and the recommendations identified is reported in Appendix A.

3.7 Overall Opinion

From the audit work performed to date, Internal Audit concludes that the Council's overall control framework is mostly effective, though this is based upon a reduced level of coverage in comparison to prior years.

3.8 Existing and Planned Changes to Internal Audit Coverage in 2017/18

During the year the audit plan is subject to revision in light of requests for, or the need to do additional unplanned audit work and also to reflect any in year changes in available resources. Action is taken as appropriate to ensure that audit resources are

efficiently and effectively deployed. The 2017/18 audit plan has been revised. Appendix B indicates those audits added to the plan and those that have been replaced. Those audits replaced will be considered when establishing the 2018/19 audit plan, but in a number of cases it is anticipated that there will no longer be a need for the audit work in 2018/19.

In determining these plan changes, Internal Audit has considered a number of relevant factors including risk and impact of control failure, external funding requirements, prior audit assurance, maturity of the control environment, appropriate timing for the review, Corporate and Directors' priorities.

It is proposed that the section continues to focus on Fundamental and Significant Systems work in the second half of the financial year as these areas of work materially contribute to audit's opinion on the Council's control environment. In addition, as significant system work takes longer to prepare and complete, this reduces the ability of the service to reach its 90% audit plan completion target.

The fundamental and significant systems planned to be covered in the second half of the year include the following.

Fundamental systems

- Revenue enforcement
- Investment and Loans
- Council Tax - Liability, Billing & Valuation
- NNDR - Liability, Billing and Valuation
- Payroll Processing
- Payroll Voluntary Deductions
- Apprenticeship Levy

Significant systems

- Continuing Healthcare
- Transitional Planning
- Direct Payments
- Safeguarding Children
- ContrOCC & SystemOne
- Insurance
- Waste Management
- Transport incl vehicle repairs and maintenance, fuel recharge
- s106 and Community Infrastructure Levy
- Museum & Artefacts
- Strategic risk - Quality accessible & affordable housing
- Strategic risk - Regeneration & investment into District: focusing on Keighley bid
- Grants to Voluntary Organisations
- ContrOCC Liquidlogic Integration (Children's)

3.8 Internal Audit's Performance Indicators

Client Feedback

After each audit a client feedback questionnaire is issued to the appropriate officer to obtain feedback from them about the audit. 100% of the officers that responded said that the audit recommendations made were useful, realistic and overall the audit was of benefit to management.

Timeliness of Audits

During the first 6 months, 83% of draft reports were issued within 3 weeks of finishing the site work, this is above the target of 80%. 90% of final reports were issued within a week of the post audit meeting, which matched the target. The timeliness of issuing draft and final reports is crucial to providing a good service to officers, enabling them to deal with the issues raised and consider the recommendation made.

Appendix A Summary of Audit Reports and Findings

Appendix B Unplanned Audit Work Included in or Deleted from the Revised 2017/18 Internal Audit Plan as at 31.10.17

Summary of Audit Reports and Findings

1. Fundamental Systems

- 1.1 Audit work carried out in the first half of 2017/18 supported the strategy of moving away from high level annual assurance audits to more detailed cyclical audits of the systems. During the period to 30.09.17, 3 reports were issued relating to fundamental systems.
- 1.2 Review of the bank account reconciliation resulted in an effective audit opinion. However, the audit of the Council's quotes, tenders and contract award process, examined in two departments, resulted in Limited Assurance opinions, mainly due to non-compliance with Council Contract Standing Orders, as detailed below.
- Contracts awarded without competition being involved are not being recorded on the Contracts and Grants Register as having had "exceptions to competition" applied, with the risk continuing that contracts are being awarded to inappropriate suppliers;
 - Not all contracts awarded are being recorded on the Council's Contracts and Grants Register, with the risk continuing that the full extent of the Council's contractual relationships will not be completely communicated. (This is also a failure to comply with the requirements of the Local Government (Data Transparency) Code 2015).
 - Contracts estimated to be greater than £2m in value are not being reported to the relevant Overview and Scrutiny Committee prior to tender of contracts, with the risk continuing that contracts are being awarded to inappropriate suppliers
 - A preferred specification for aluminium windows has been in place for at least the last 16 years, without any evidence of review, with the risk that Value for Money is no longer being achieved

2. Significant Systems

- 2.1 During the first half of the year, seven reports relating to significant systems were issued. These included Licensing (good opinion), Housing Options (satisfactory opinion), Planning Applications & Building Regulations Fees (mostly effective opinion) and Advice relating to Financial Procedures of Bradford District Tenants and Residents Federation (BDTRF). The remaining three reports are summarised below.
- 2.2 A recent audit of No Recourse to Public Funds (NRPF) gave a no assurance opinion. There is no statutory guidance on the duties to support people with NRPF, the legal framework is complex and in 2016/17 had a budget of £828,000, the costs of which are borne solely by the Council. The service lacks high level direction and governance, resulting in service delivery and resultant costs that are not currently subject to the same level of scrutiny as other areas of social care. The relative isolation of the service and closeness to its clients also appears to contribute to a level of risk aversion, and officers can take a cautious approach where legislation is unclear, or when threatened with potential legal action.
- 2.3 The audit review of cash purchasing gave a limited assurance opinion highlighting the following control weaknesses: lack of a process to recover payments made in lieu

of benefits; lack of consideration of alternative payment methods to cash including the use of corporate and other Council contracts available; and loss of the potential to reclaim VAT on cash purchases made.

- 2.4 Internal Audit also performed a review of the Out of Area Placements process for looked after children. It became evident during the audit that the service was in a period of significant change and consequently not all audit tests could be completed. An interim audit report was produced that highlighted key concerns relating to effective contract management; resourcing issues in the Placement & Co-ordination Team; and effective financial management, including the need to update Liquid Logic with placement data in advance of implementing Controcc.

3. Schools

3.1 School Audits

During the first half of the year, five reports relating to schools were issued (compared to seven reports in 2016/17). Of these, four related to individual school audits and included recommendations to improve the control environment at all schools visited. One school was audited in response to an anonymous letter received by Internal Audit, which made suggestions about the appropriateness of overtime claimed. Recommendations were made to strengthen controls in the authorisation of overtime, however audit concluded that there was no evidence to suggest that any inappropriate or fraudulent activity had occurred. The fifth report provided a summary of the Schools Financial Value Standard process which is discussed in more detail below.

One of the schools audited was the subject of a limited assurance audit opinion as a significant number of controls were not operating effectively, which related to budgetary control, purchasing and payroll/staffing. A follow up audit of these issues will be performed in 2018/19.

Further, two of the routine school audits conducted during the first half of 2017/18 identified areas of concern in relation to procurement and contracts, which required more detailed audit work.

Primary School Catering Contract

Internal Audit coordinated and provided support and advice to a Primary School who had procured a new catering contract from a private supplier without following Financial Regulations in Maintained School and Public Procurement Regulations 2015. The ensuing risks to the Council and the School were minimised by Internal Audit coordinating guidance from various departments in the Council (Legal, HR, FM) and working with the school and their legal team, recommending amendments to the signed contract which the school were fortunate to be able to renegotiate with the supplier. This resulted in a mitigation of significant financial and reputational risks to the School and the Council, and secured a better transfer under TUPE for Council staff whom, under the initial contract, were at risk from potential loss of pension rights.

Secondary School – Facilities Management Contract

Health and Safety concerns were identified with a facilities management contractor that was operating at a Secondary School. These concerns initially came to light during a routine school audit when Internal Audit reviewed the process the school had followed in procuring facilities management services from the contractor. The process followed was found to be non-compliant with the required tendering procedures and audit recommendations were made to address this when the contract expired on 31.3.17.

The Secondary School has recently confirmed that it has not yet gone out to tender for the facilities management service provision and as such is still non-compliant with Public Contracts Regulations 2015 and the Guide to Financial Procedures in Schools. Instead, the school extended the existing contract extension for a further year to 31.3.18, due to the impending academisation of the school, which was current at that time but is now on hold.

The School has stated that it intends to undertake a contract and tender process with a new facilities management contract which will begin in April 2018. The School have also stated that any new contract will look to move the contractor's registered office 'off site' (see below), with the school taking back occupation of the building when the existing contract comes to an end, although specific plans of how this will be executed are less clear. Management will need to monitor this situation to ensure that the school follows through with these intentions.

Since the original audit was conducted, further health and safety concerns have been raised at other maintained and academy schools in the district where the contractor is also working. This has recently included an incident at an academy school in the district which caused injury to 12 pupils and two teachers, including one injury which was reported to the Health and Safety Executive. Following this incident, the Council's Health and Safety team have provided advice to the academy to the extent that it is allowed. However, there is a residual risk that the quality of the workmanship from this particular contractor could pose health and safety risks within schools in the District. Internal Audit is also concerned about the reputational risk this poses given that the contractor's registered office is on the same site as a Bradford school.

Schools are free to choose their own contractors but must ensure that any works conducted are in accordance with health and safety regulations. A letter has been issued by the Strategic Director advising schools to exercise caution when choosing contractors, it is expected that schools will take heed of this advice.

Financial Regulations in Maintained Schools

Both of the above audits have highlighted weaknesses concerning procurement in maintained schools. Through being clear about the Council's expectations the message should be reinforced that schools are spending public funds delegated to them by the local authority and, under those delegated powers, spending decisions should be made openly, transparently, in accordance with regulations and with best value principles clearly demonstrated.

To assist in delivering this message, Bradford Council's Financial Regulations in Maintained Schools are currently being updated to ensure that they provide clear and up to date instructions to schools. Once finalised and approved, these regulations should be rolled out and adhered to within schools to assist in promoting sound

financial governance. A follow up piece of audit work to assess compliance with these revised regulations is scheduled for the 2018/19 audit year.

3.2 Schools Financial Value Standard

At the 2017/18 year end all maintained schools were required to complete a self assessment against the Department for Education's Schools Financial Value Standard (SFVS). As at 31 March 2017 SFVS self assessments had been completed by 125 of the Council's 130 maintained schools. The returns received for 2017 show an overall improvement in the standard of completion of the returns and the quality of action plans. The number of late returns also decreased, giving assurance that more schools are engaging with the SFVS process and complying with its requirements.

Further SFVS training will be offered in November 2017 following the success of previous training sessions. Despite the increasing number of schools converting to academy status, Internal Audit are pleased that schools are continuing to attend training and engage with SFVS, thus recognising the benefits that it provides in ensuring effective financial management in schools. Internal Audit's continued approach of focussing on training rather than auditing individual schools' SFVS returns is a more efficient use of resources achieving greater coverage across the district.

4. Grants

Grant certification work is carried out in response to conditions placed on central government targeting of funding to local authorities, for example funding for pot hole repairs on the District's highway network.

The grants requiring certification can vary and change each year. The audit plan for 2017/18 has seen the number of grants requiring review remain the same, however, one grant has ceased while one new grant was required to be reviewed. To date 8 reports have been issued relating to capital and revenue grants which required Internal Audit certification.

The values of the grants varied considerably and conditions also varied and included confirming that targets had been met, that funds had been appropriately spent and that other requirements, such as publication of how the grant had been used, had been complied with.

Overall Internal Audit has been able to give a positive opinion for all grants and consequently no funding has been lost.

5 Computer Audit

For the first half year computer audit continued to be delivered by a specialist computer auditor from Wakefield as part of the joint working arrangement. A report issued early in the year concluded that IT Project Management was good and more recent fieldwork on the security and super user access of two applications indicates that they are mostly effective. Currently it is not clear whether the remainder of the Computer Audit plan will be undertaken in the current year.

6. West Yorkshire Pension Fund (WYPF)

During 2017/18 Internal Audit will carry out a variety of audits in the West Yorkshire Pension Fund (WYPF), in accordance with the annual plan agreed with WYPF management. Reports issued to the 30 September 2017 were in respect of the following:-

- **Review of WYPF 2016/17 Accounts.** This audit is carried out at the request of the Financial Controller to assist in producing accurate, easy to read information within the financial accounts.
- **Additional Voluntary Contribution Arrangements.** Members of the Local Government Pension Scheme have the opportunity of paying extra contributions into the West Yorkshire Pension Fund (WYPF) AVC Plan, which can be arranged with two providers, Scottish Widows or Prudential. This audit examined the arrangements in place for members to pursue this opportunity. No issues were identified as a result of this work.

The pension fund has requested further days audit support as it grows in size and complexity which is being considered for 2018/19.

Appendix B

Unplanned Audit Work Included in and Planned Audit Work Deleted from the Revised 2017/18 Internal Audit Plan as at 30.09.17

Additional unplanned audit work done / propose doing in 2017/18	Reason	Planned audit work proposed not doing in 2017/18	Reason
Verification of Registrar's Spoiled Certificates	Audit requested by Service to confirm the write off of spoiled certificates	Compliance with Corporate Contracts & Frameworks Contract Management Review Procurement other	There is on going support for Procurement in relation to major investigations work.
Payroll Voluntary Deductions	Requested by service manager	Statutory Payments - Sick/Maternity Pay	Low priority
Payroll Apprenticeship Levy	Requested by service manager	HRplus	Low priority/financially immaterial
Housing Advice - Bradford District Tenants & Residents Federation	Service Manager requested financial advice on historic tenant agreements	Looked After Children & Care Leavers	Duplicate coverage provided with the cash purchasing audit
Primary Scholl Catering Issue	Procurement and contracting concerns	Commissioned Care - Residential, Nursing & Respite	Defer as a wider review of commissioned care is required.
Primary School	Potential financial irregularity	Public Health Contracts/Monitoring/Service Delivery	Low priority
Pot Hole Action Fund Grant 16-17	Grant requires audit certification	Highway Flood Recovery Grant	No grant received this year
Troubled Families Outcome Plan	Framework requires Internal Audit to be involved in establishing/revising outcome plan	Capital schemes	Low priority
		Resource Allocation System	Low priority as system is being revised.
		SEN Placements	Low priority as LGA peer review recently performed
		Benefit payments	Audit coverage provided by External Audit's review of the benefit grant

There may be further planned audits for the second half of 17/18 that Internal Audit is unable to perform due to capacity reasons.