

Minutes of a meeting of the Governance and Audit Committee held on Thursday, 29 September 2016 at Committee Room 1 - City Hall, Bradford

Commenced 11.00 am
Concluded 1.15 pm

Present – Councillors

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
M Pollard	Johnson Thornton	J Sunderland

Councillor Johnson in the Chair

9. DISCLOSURES OF INTEREST

- (1) In the interest of transparency all those who were Members or beneficiaries of the West Yorkshire Pension Fund disclosed and interest.
- (2) Councillor Johnson disclosed an interest in Minute 14 as he received care services for his father.
- (3) Councillor Sunderland disclosed an interest in Minute 12 as she was the Director of Arise Yorkshire Ltd.

Action: City Solicitor

10. MINUTES

Resolved-

That the minutes of the meeting held on 28 June 2016 be signed as a correct record.



11. TRIDENT COMMUNITY COUNCIL BOUNDARY CHANGE - PETITION REQUIREMENT

To establish a new Local Council or make any boundary changes to existing Local Councils Bradford Council must undertake a community governance review (CGR). This provided an opportunity for Bradford Council to review and make any appropriate changes to local governance within an area. The aim of a review would be to ensure that local governance continues to be effective and convenient and that it reflects the people and interests of local communities.

The City Solicitor submitted **Document “G”** which sought to establish whether Trident Community Council should be requested to present a valid petition to trigger Bradford Council undertaking a community governance review in respect of the requested boundary change.

Members felt that in the interest of residents of the Ward, the appropriate way forward would be for Trident Community Council to produce a petition to request their geographical boundary be extended to include the Canterbury area.

Resolved-

That Trident Community Council produce a valid petition to trigger Bradford Council undertaking a community governance review.

Action: City Solicitor

12. CORPORATE FRAUD UNIT - ANNUAL PERFORMANCE INFORMATION

The Finance Director submitted **Document “H”** which presented the annual fraud performance information, as required by the Committee, to provide assurance that the Council’s counter fraud arrangements were effective.

The Corporate Fraud Unit had reported to Committee, on counter fraud performance, since June 2012. The information in the report represented the performance of the Council’s Corporate Fraud Unit during the period 1st April 2015 to 31st March 2016 and was shown in full at Appendix A to Document “H”.

It was reported that In 2015/16 the Corporate Fraud Unit received 746 referrals alleging that fraud, theft and/or other financial irregularity was being committed against the Council compared with 2052 referrals in 2014/15. This was an expected reduction in referrals following the transfer of Housing Benefit investigation (including some resource) to the Department for Work and Pensions Single Fraud Investigation Service on 1st April 2015.



Members were informed that following an initial pilot in 2015, to look at the feasibility of sharing investigative resource across Bradford and Wakefield Councils, on 1st April 2016, the Corporate Fraud Unit launched a second pilot to deliver fraud investigation services jointly, managed by Bradford. The success of the pilot would be reviewed in the autumn with a view to detailing options on the way forward from 1st April 2017. The Committee would be updated as to how this progresses.

The Finance Director reported that he would look into the issues relating to data sharing/working arrangements with the Department of Work and Pensions.

In response to a Members question it was reported that the amount recovered from losses due to fraud would be detailed in a future report.

Resolved-

That the Committee notes the key performance information at Appendix A to Document “H”.

Action: Finance Director

13. PUBLIC SECTOR INTERNAL AUDIT STANDARDS - PROPOSALS FOR UNDERTAKING AN EXTERNAL REVIEW OF INTERNAL AUDIT

The Director of Finance submitted **Document “I”** which outlined the benefits of, and sought the Committee’s agreement to, the proposed arrangements for carrying out the external review of the Council’s Internal Audit function, as required by the Public Sector Internal Audit Standards (PSIAS).

In response to a Members question it was reported that the request to include an elected Member being involved in the review would be looked into.

Resolved-

That the proposed arrangements for a peer review undertaken by Doncaster Council’s Internal Audit Service are accepted by the Committee as appropriate to meet the requirements of the PSIAS and to provide the necessary external assurances on the effectiveness of Bradford Council’s Internal Audit Service.

Action: Director of Finance



14. INTERNAL AUDIT ANNUAL REPORT 2015/16

The Director of Finance submitted **Document “J”** which informed the Committee about the service Internal Audit had provided to the Council during the financial year 2015/16.

In particular Members were advised of the following:-

- Internal Audit completed 92% of the 2015/16 audit plan which, was above the target of 90%.
- Internal Audit's Client satisfaction identified that 100% of the respondents said that the “recommendations were useful and realistic” and believed that the audit was “of benefit to management.”
- 100% of all high priority recommendations made from the work undertaken were accepted by management.

From the work undertaken by Internal Audit throughout the year and after taking into consideration the work undertaken by Mazars, the overall internal control environment throughout the Council appeared to be adequate. There were two individual areas of concern. These were the debt management controls surrounding the Payroll Services provided to full budget share schools and external providers and the progress on Continuing Health Care. Both these areas would continue to be monitored in 2016/17.

In 2016/17, Internal Audit planned to perform further audit work to follow up on the level of implementation of agreed recommendations as it appeared departments were finding it difficult to resource improvements where control weaknesses were identified.

It was reported that whilst the overall opinion was adequate the number of reports produced by Internal Audit in 2015/16 had significantly reduced from the total in 2014/15. This limited the quantity of evidence which the Head of Internal Audit could rely on, to support the assurance statements concerning the governance of the Authority. The Service now had capacity issues and could find it difficult to respond to specific management concerns when internal audit contributions would be advisable.

In response to Members' questions it was reported that Internal Audit were revising its follow up processes in 2016/17 to support management in implementing agreed recommendations and that further updates on this issue would be reported to this Committee. It was also reported that in certain cases there was a lack of resources to implement the changes required.



Members raised concerns that not all schools were completing the Schools Financial Value Standards (SFVS) self assessment forms. It was reported that the Audit Team contacted schools that were not compliant with the SFVS so that they become fully compliant.

A Member queried who would audit academies when all schools became academies.

Members raised concerns on schools who became academies that had a deficit and the importance of such schools being audited and their budgets being monitored.

It was reported that in terms of payroll services to schools - the audit highlighted concerns regarding the timeliness and accuracy of the invoicing to full budget share schools and external bodies for the recovery of payroll costs incurred by the Council on their behalf. Also highlighted were legacy balances on the SAP ledger, some dating back to 2006-7 that management needed to resolve, which potentially could lead to the non-recovery of payroll costs. At the time of the audit it was not possible to quantify the full amount of the legacy balances, but it was indicated that it was likely to be more than £250k. At the 2015/16 year end it had been decided to establish an exceptional £1m provision relating to school based staff pay bill balances. Effective dialogue had been taking place between payroll and schools as well as monthly monitoring which would prevent the situation accumulating.

Resolved-

That the Committee recognises and supports the work carried out by Internal Audit during 2015/16.

Action: Director of Finance

15. REVIEW OF ARRANGEMENTS FOR SECURING VALUE FOR MONEY - CBMDC

External Audit submitted **Document “K”** which reported that External Audit had a statutory duty to confirm that the Council had made proper arrangements for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion). The value for money risk assessment was reported to the Committee in April 2016 and this report updated the assessment and summarised the findings which supported the value for money conclusion.

The report accompanied the Audit Completion Report which was also on the Committee’s agenda.



The External Auditor reported that the Council had a strong track record of delivering savings and keeping within budget. It was reported that over the next 3 years the Medium Term Financial Strategy identified savings of 17 % which was high even compared to other northern metropolitan authorities and savings were becoming increasingly challenging to deliver. The Medium Term Financial Strategy still had a cumulative funding gap of £32m by 2018/19 and some difficult choices would need to be made to balance the 2017/18 and 2018/19 budgets.

It was noted that the Council had received green RAG rating for informed decision making, sustainable resource deployment and working with partners and other third parties.

Resolved-

That the review of arrangements for securing value for money report were considered.

16. WEST YORKSHIRE PENSION FUND REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

The Director of West Yorkshire Pension Fund submitted Document “L” which provided the West Yorkshire Pension Fund’s financial position for the year ended 31 March 2016. The accounts had been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

The value of the Fund as at 31 March 2016 was £11,210.98m, a net decrease in value of £108.22m, percentage change of -0.96%.

It was reported that:

- The reduction in net assets of £108.22m between 31 March 2015 and 31 March 2016 was the result of weak quoted stock markets in 2015/16. The net reduction in asset value was made up of net negative return on investment of £17.01m, as well as pensions contributions from employers and employees of £416.57m, being less than pension costs of £500.31m.
- The negative return on investment of £17.01m was made up of net



reduction in market value of investments of £331.15m and net investment income of £314.14m from dividends, interest, stock lending, and commissions less taxes on investment income.

- The Fund had a positive net cash flow during 2015/16 of £222.9m comprising of net investment income of £314.14m less £83.74m net payments from dealing with members.
- In 2015/16 WYPF had a negative return on investments of -0.3%. This performance was below the return for the Fund specific benchmark of -0.1%. The -0.3% performance was below the average return for all local authority pension funds of 0.2%, placing the Fund in the 53rd percentile of all local authority funds. The long-term performance continued to be good.

In response to the Chairs' question the WYPF Director reported that the negative return on investment of -0.3% was a blip and was below what the fund expected and below other local authorities.

Resolved-

That the 2015/16 Statement of Accounts be approved and signed by the Chair of Governance and Audit Committee.

Action: Director of Finance

17. EXTERNAL AUDIT'S AUDIT COMPLETION REPORT 2015/16 - WEST YORKSHIRE PENSION FUND

The External Auditor presented the Audit Completion Report for the West Yorkshire Pension Fund (**Document "M"**) which summarised the findings from the 2015/16 audit.

It was reported that WYPF's accounting policies and disclosures complied highly with the requirements of the Code of Practice on Local Authority Accounting 2015/16.

Members were informed that during the course of the audit External Audit did not encounter any significant difficulties and had the full co-operation of management.

Resolved-

That the Committee:

- **considered the unadjusted misstatements schedule (section 5)**
- **the letter of requested representations (Appendix A) including the reasons for not amending the unadjusted misstatement be approved.**

Action: Director of Finance



18. EXTERNAL AUDIT'S AUDIT COMPLETION REPORT FOR THE 2015/16 AUDIT OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

The External Auditor presented the Audit Completion Report for Bradford Council (**Document "N"**) which summarised the findings from the 2015/16 audit.

It was reported that the Council's accounting policies and disclosures complied with the requirements of the Code of Practice on Local Authority Accounting 2015/16.

Members were informed that during the course of the audit External Audit did not encounter any significant difficulties and had the full co-operation of management.

It was reported that the Internal Control recommendation for 2015/16 detailed in Section 4 of the report had been fully implemented.

Resolved-

That the Audit Committee:

- **considered the Audit Completion Report; and**
- **the letter of requested representations (Appendix A) be approved.**

Action: Finance Director

19. STATEMENT OF ACCOUNTS 2015/16

The 2015-16 Statement of Accounts (SOA) had been externally audited and were now presented to Governance and Audit Committee for approval. The External Auditor (Mazars) had reported their findings in two separate Audit Completion Reports, one for the Council and another for the West Yorkshire Pension Fund. Members were asked to consider these before approving the SOA.

The Director of Finance submitted **Document "O"** which provided an overview of the 2015-16 Statement of Accounts and included a response to the Council's Audit Completion Report.

It was reported that significant items in the Statement of Accounts included:

- At 31 March 2016 the Council's net worth, the total value of its financial assets less the value of its outstanding liabilities, decreased by £25.6m. This decrease was mainly due to net reductions in the valuations of land and buildings.
- Overall at 31 March 2016, the Council also had a small negative net worth of £42.2m, compared to a negative net worth of £16.5m at 31 March 2015.



- The Council had a negative net worth mainly due to net pension liabilities of £700m and net liabilities of £134.5m for schools built under the Private Finance Initiative (PFI) that had converted to academies.
- A factor that had impacted significantly in past years on the Council's net worth had been the conversion of schools to academies. This was treated in the SOA as a disposal of assets for nil payment, which reduces the financial assets shown on the balance sheet.
- At 31 March 2016 the Council had £19.9m of unallocated reserves available to support budget decisions. However, £6.1m of this had already been used to fund the 2016-17 budget. After retaining £10.8m as a General Fund balance and ring fencing £33.8m of school balances, this left £103m of earmarked reserves to deliver ongoing Council priorities and fund anticipated liabilities.
- The SOA also showed the Council had £22.7m (£21m at 31 March 2015) set aside in provisions to meet obligations arising from past events. Mainly these obligations were: termination costs due to planned staffing reductions; refunds of Business Rates due to appeals, and insurance excesses on claims against the Council.
- The Collection Fund Statement showed Council Tax and Business Rate income collected by the Council and its redistribution to itself and other organisations. The redistribution in 2015-16 was set before the start of the financial year and could not be changed. However, Bradford's actual share of the Council Tax collected was £2.6m higher than budgeted, mainly due to property growth and a lower cost of Council Tax reduction. Bradford's share of Business Rates collected was £11.7m lower than budgeted, because of refunds arising from appeals. These variations between the total of the redistributions paid out in 2015-16 and the amount of Council Tax and Business Rates collected in the year were factored into the 2016-17 budget.
- The Comprehensive Income and Expenditure (CI&E) Statement showed a deficit on the provision of services of £85.3m in 2015-16. However, this deficit included accounting adjustments, such as valuation changes on land and buildings. After removing accounting adjustments which were not chargeable against Council Tax, services spent £0.8m less than the approved 2015-16 net budget of £400.8m.
- £70.4m was invested in capital projects across the district. 26% of this capital investment was funded by internal borrowing, with the remainder funded from grants, revenue contributions and capital receipts.

The External Auditor's findings in respect of the SOA and agreed amendments were:

- There are no matters to bring to Members' attention in connection with the significant risks and key judgements set out in the 2015-16 Audit Strategy Memorandum.
- There was no material misstatement in the draft 2015-16 SOA and no misstatements on the main statements.



- There were a small number of adjustments to the disclosure notes.
- None of the misstatements impacted on the General Fund balance or usable reserves as at 31 March 2016.

External Audit were thanked for the way they had conducted the audit.

Resolved-

The 2015-16 Statement of Accounts be approved and signed by the Chair of the Committee.

Action: Director of Finance

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the Governance and Audit Committee.

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER

