

Agenda for a meeting of the Governance and Audit Committee to be held on Friday 15 April 2016 at 1100 in Committee Room 1, City Hall, Bradford

Members of the Committee – Councillors

CONSERVATIVE	LABOUR	THE INDEPENDENTS
Eaton	L Smith (Ch)	Naylor
	Thornton (DCh)	
	Swallow	

Alternates:

<i>Conservative</i>	<i>Labour</i>	<i>The Independents</i>
Ellis	Farley	Hawkesworth
	K Hussain	

Notes:

- This agenda can be made available in Braille, large print or audio format on request by contacting the Agenda contact shown below.
 - The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
 - If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.
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From:

Meic Sullivan-Gould
 Interim City Solicitor
 Agenda Contact: Fatima Butt
 Phone: 01274 432227
 E-Mail: fatima.butt@bradford.gov.uk

To:



A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The Interim City Solicitor will report the names of alternate Members who are attending the meeting in place of appointed Members.

2. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

- (1) Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.
- (2) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.
- (3) Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.
- (4) Officers must disclose interests in accordance with Council Standing Order 44.

3. INSPECTION OF REPORTS AND BACKGROUND PAPERS

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Director or Assistant Director whose name is shown on the front page of the report.



If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Fatima Butt - 01274 432227)

B. BUSINESS ITEMS

4 WEST YORKSHIRE COMBINED AUTHORITY (WYCA) AND LEEDS CITY REGION ENTERPRISE PARTNERSHIP (LEP) : UPDATE REPORT

Previous Reference: Minute 75 (2013/14)

The Strategic Director, Regeneration will submit **Document “AR”** which gives an update on the West Yorkshire Combined Authority and Leeds City Region Enterprise Partnership LEP with a focus on governance, accountability, reporting and involvement of Bradford Council, its elected members and staff.

A previous report on WYCA/LEP was brought to Governance and Audit Committee on 4 April 2014.

Recommended –

- (1) That the report be noted.**
- (2) That the continued improvements and development programme for WYCA/LEP during 2016-17 especially where they enhance accountability, good governance and the active involvement of each of the Constituent Councils, their political leadership and front-line members be supported.**
- (3) That the on-going communications, involvement and influence of Bradford’s elected members, officer, partners and public in WYCA and LEP be encouraged.**

(Jamie Saunders – 01274 434123)

5 AUDIT STRATEGY MEMORANDUM 2015/16 – WEST YORKSHIRE PENSION FUND

The External Auditor will submit **Document “AS”** which reports on the Audit Strategy Memorandum for the West Yorkshire Pension Fund for the year ending 31 March 2016.

Recommended-

That the Audit Strategy Memorandum for West Yorkshire Pension Fund for 2015/16 be considered.

(Steve Appleton – 07881 283340)



**6 AUDIT STRATEGY MEMORANDUM 2015/16 – CITY OF BRADFORD
METROPOLITAN DISTRICT COUNCIL**

The External Auditor will submit **Document “AT”** which reports on the Audit Strategy Memorandum for the City of Bradford Metropolitan District Council for the year ending 31 March 2016.

Recommended-

That the Audit Strategy Memorandum for the City of Bradford Metropolitan District Council for 2015/16 be considered.

(Steve Appleton – 07881 283340)

7 VALUE FOR MONEY RISK ASSESSMENT 2015/16

The External Auditor will submit **Document “AU”** which reports on the value for money risk assessment for 2015/16.

Recommended-

That the Value for Money Risk Assessment 2015/16 be considered.

(Steve Appleton – 07881 283340)

8 INTERNAL AUDIT PLAN 2016/17

The Director of Finance will submit **Document “AV”** which reports on the Internal Audit Plan for the financial year 2016/17. The delivery of the audit plan will assist with risks within the systems reviewed being managed to an acceptable level through improvement in internal control.

Recommended-

That the Internal Audit Plan for 2016/17 be reviewed and approved.

(Mark St Romaine – 01274 432888)

9 AMENDMENTS TO THE CONSTITUTION

The Interim City Solicitor will submit **Document “AW”** which provides Members with details of the proposed amendments to the Council’s Constitution.

Recommended –

- (1) That the Governance and Audit Committee consider the proposed amendments to the Constitution listed in Appendices 1 and 2 attached to this**



report and consider which, if any, should be recommended to Council for adoption and implementation.

- (2) That the Interim City Solicitor reports any recommendations to Council and ensures the agreed amendments are implemented.**
- (3) That the Interim City Solicitor be granted delegated authority to make consequential amendments to the Constitution as a result of the recommendations approved by Full Council.**

(Mark St Romaine – 01274 432888)
(Roy Barraclough – 01274 432670)



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Report of the Strategic Director – Regeneration to the meeting of Governance and Audit Committee to be held on 15th April 2016.

AR

Subject:

West Yorkshire Combined Authority WYCA and Leeds City Region Enterprise Partnership LEP : Update Report

Summary statement:

This is an update report on West Yorkshire Combined Authority and Leeds City Region Enterprise Partnership LEP with a focus on governance, accountability, reporting and involvement of Bradford Council, its elected members and staff.

Mike Cowlam
Strategic Director Regeneration

Portfolio:

Leader

Report Contact: Jamie Saunders
Strategy & Engagement Officer
Phone: (01274) 434123
E-mail: Jamie.saunders@bradford.gov.uk

Overview & Scrutiny Area: Corporate O&S & others as necessary.



1. SUMMARY

1.1 This is an update report on West Yorkshire Combined Authority and Leeds City Region Enterprise Partnership LEP with a focus on governance, accountability, reporting and involvement of Bradford Council, its elected members and staff. The report provides headlines on key developments, practices and issues arising

2. BACKGROUND

2.1 West Yorkshire Combined Authority (WYCA) brings together Bradford, Calderdale, Kirklees, Leeds, Wakefield and York councils and the Leeds City Region Enterprise Partnership (LEP) as a united force for economic growth and prosperity. WYCA works with private and public sector partners to raise the quality of life in our region through businesses growth, job creation, a trained and skilled workforce and the building of new and affordable homes, underpinned by a modern, integrated transport network. The West Yorkshire Combined Authority is responsible for the £1 billion West Yorkshire Plus Transport Fund, works closely with business in the region through the Leeds City Region Enterprise Partnership to ensure that business and the regional economy is at the heart of the decisions taken.

2.2 A previous report on WYCA/LEP was brought to Governance & Audit Committee on 4th April 2014. This report provides an update, highlighting key developments and current plans for 2016-17 onwards for the Committee's consideration.

2.3 Appendix 1 provides details on the current WYCA/LEP structure and involvement of CBMDC members.

2.4 Appendix 2 provides a summary of key governance matters and developments through 2015-16, the first full year of WYCA operations, which also saw it take over the secretariat and accountable body for the LEP from Leeds City Council

2.5 Appendix 3 provides an overview of the key reporting and publication arrangements for WYCA/LEP

2.6 Appendix 4 provides an overview of WYCA's Governance & Audit focus, including a details from WYCA GAC Committee and Overview and Scrutiny O&S Committee, on its key governance and accountability arrangements.

2.7 The next WYCA GAC is on 19th April 2016.

3. OTHER CONSIDERATIONS

3.1 Reports have been taken to Corporate Overview and Scrutiny (O&S) Committee (strategy and value focus), Regeneration and Economy O&S Committee (regeneration, economic and business focus) and Environment & Waste Committee (the latter on the transport schemes, investments and operations of WYCA/LEP). There have been a number of full Council questions relating to WYCA/LEP in general and for specific areas of activity (e.g. most recently Full Council 22/3/16 Q33)



3.2 Leeds City Council, Kirklees Council, Calderdale Council and Wakefield Council are also constituent members of the Combined Authority. In addition, York City Council has been involved especially on transport and connectivity matters. Harrogate Council and Craven Council are considering their positions with regards to Leeds City Region as part of the journey to 2020 and beyond.

3.3 Changes to the Combined Authority and LEP are under discussion and negotiation between political leadership in the sub- and city-region and Government Ministers. These are at an advanced stage, seeking to secure substantial powers and resources for sub-national regeneration, economic development and public sector reform.

3.4 Bradford Council's involvement in WYCA/LEP also supports the involvement and influence through to other sub-national and pan-northern arrangements like Rail North, Transport for the North and the informal arrangements for shaping Northern Powerhouse developments and investment. Appendix 1b illustrates the indirect involvement.

4. FINANCIAL & RESOURCE APPRAISAL

4.1 As reported recently to Regeneration and Economy O&S work is progressing on performance and financial profiling for WYCA/LEP.

4.2 WYCA / LEP Budgets for 2015-16 and 2016-17 are controlled through WYCA, with a dedicated finance working group and staff support.

4.3 Work is planned for 2016-17 to continue to improve WYCA internal controls and financial management as well as working with its local authority partners on financial and investment planning, scheme delivery and performance and reporting.

4.4 Corporate O&S takes reports on the financial, resource and policy aspects of the WYCA & LEP.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

5.1 WYCA/LEP has its own internal controls and governance framework. The most recent WYCA GAC covered the following elements:

[WYCA External Audit Update](#)

[WYCA Internal Audit Progress Update](#)

[WYCA Internal Audit Plan 2016-17](#)

[WYCA Internal Controls and Financial Monitoring](#)

[WYCA 2016-17 Budget & Treasury Management Policy](#)



5.2 Key element of risk at WYCA relates to the delivery of the Local Growth Deal and the need to ensure expenditure is achieved and that all expenditure is properly managed. A number of measures are in place to support this including the Assurance Framework and the Single Appraisal Framework. These are managed to ensure they remain relevant as the delivery of the Growth Deal develops and to bring together the Transport Assurance Framework and the LEP Assurance Framework into one document and management process.

5.3 In support of this work has been undertaken to develop a Finance handbook which sets out details for how schemes within the Growth Deal should be costed, how approvals are sought, how funding will be advanced and the responsibilities and accountabilities of different parties working on these schemes. Production of the handbook has been a collaborative piece of work. Following the receipt of Growth Deal funding for both transport and non-transport schemes the remit of the handbook has been broadened to be all Growth Deal projects. There is some further refinement of the handbook required to fully address the particular issues relating to the non-transport schemes but the principles within the handbook remain valid.

5.4 Bradford Council has some of the key risks and governance issues reflected in the Annual Governance Statement and Council Risk Register as well as managed on a day-to-day basis through political leadership, engagement and management involvement in key functions, ambitions and shared business processes.

5.5 The Annual Governance Statement 2014-15 identified the following as key 2015/16 Governance Challenges:

- Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.
- Impact on governance structures arising from developing policies for the delivery of regional devolution

6. LEGAL APPRAISAL

6.1 WYCA is a Statutory Combined Authority and it is governed and operated on that basis. LEPs are more informal strategic business partnerships with a primary focus on enterprise, business growth and economic development.

6.2 A range of related functions and arrangements are being progressed through the current Government, especially in regard to the 2015/2016 Legislative Programme.. The Cities and Local Government Devolution Act 2016 is one such recent change paving the way, as an enabling framework, for local growth, public sector reform and administrative changes to powers and resources. The Leeds City Region devolution proposal and negotiation fits within these changes.

This report does not cover the proposed devolution process for Leeds City Region or sub-national developments directly at this time. Should the devolution proposals proceed to agreement with Government then further information will be brought to the Committee as soon as it is available.



7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

In working with and through WYCA/LEP as a Local Authority body has its own arrangements for equality & diversity.

7.2 SUSTAINABILITY IMPLICATIONS

WYCA/LEP enables Bradford Council, businesses and other partners to support, develop and invest in strategic and operational matters that secure immediate regeneration priorities and services. It can also be seen that the organisation, functions and resources both within and beyond the district can support prosperity, well-being and resilience for present and future generations

7.3 GREENHOUSE GAS GHG EMISSIONS IMPACTS

N/A – not directly covered by this report though WYCA/LEP ensure appropriate environmental management and GHG emission management as well support wider Green Economy ambitions, priorities, investment and practical solutions.

7.4 COMMUNITY SAFETY IMPLICATIONS

N/A – none arising directly from the focus of this report.

7.5 HUMAN RIGHTS ACT

N/A – none arising directly from this report.

7.6 TRADE UNION

- There are no direct Trade Union or staffing implications arising from this report. Further changes to WYCA/LEP and the relationship, functions, collaboration and investment through the changing sub-national arrangements are likely but not yet confirmed at this stage.

7.7 WARD IMPLICATIONS

- WYCA/LEP both engage on strategy development, investment planning, scheme preparation, delivery and involvement with the Council and into specific locations and sites. This includes through transport and passenger transport services and operations. On the latter,

8. NOT FOR PUBLICATION DOCUMENTS

8.1 None

9. OPTIONS



9.1 Bradford Council remains a constituent Council and founding member of the West Yorkshire Combined Authority as well as a joint partner in the business partnership for Leeds City Region.

9.2 The arrangements for collaboration, investment, delivery and operations through WYCA/LEP and related use of resources is fundamental to the prosperity, well-being and resilience of Bradford District and direct benefits to citizens, partners, places and businesses. It remains critical that there is a proactive and structured approach to engagement, day-to-day working and good governance.

9.3 Specific areas of improvement may be identified through the Committee discussion and resolutions that could be communicated to WYCA/LEP or as they relate to the Council (CBMDC) progressed as appropriate to the Committee.

10. RECOMMENDATIONS

Subject to GAC Chairman's steer

10.1 This report is noted

10.2 This Committee supports the continued improvements and development programme for WYCA/LEP during 2016-17 especially where they enhance accountability, good governance and the active involvement of each of the Constituent Councils, their political leadership and front-line members

10.3 This Committee encourages the on-going communications, involvement and influence of Bradford's elected members, officer, partners and public in WYCA and LEP.

Previous recommendations 2014

Recommended-

(1) That the progress on governance developments be noted and that these will assist in securing Bradford's interest in the Combined Authority be agreed .

(2) That any comments be provided to ensure the effectiveness of the arrangements for the involvement of Bradford Council in the governance and operations of the Combined Authority, its strategy, work plans and investments.

11. APPENDICES

- **Appendix 1 – Current Structure and CBMDC Member / Officer involvement 2015-16**
- **Appendix 2 – Key governance matters & developments 2015-16**
- **Appendix 3 – Overview of key reporting and publications of WYCA/LEP**
- **Appendix 4 – Overview of WYCA/LEP Governance and Audit arrangements**

If there is confidential information that falls under Schedule 12A, of the Local Government Act 1972, try to contain this within an appendix.



12. BACKGROUND DOCUMENTS

- WYCA [Successes Briefing Sheet](#) – January 2016
- LEP Little Book of Big Impact – March 2016

- WYCA Business Plan 2015-16
- WYCA Business Plan 2016-17 – provisional
- LCR Assurance Framework 2015

- WYCA Papers 2015-16

- WYCA Bradford Consultation Sub-Committee Papers 2015-16

- WYCA Governance and Audit Committee Papers 2015-16
- WYCA Governance & Audit Committee [Terms of Reference](#) (link 17/3/16)

- WYCA/LEP Growth Deal Assurance Framework 2015-16

- WYCA Overview & Scrutiny Committee Papers 2015-16
- WYCA O&S [Terms of Reference](#) (link 17/3/16)

- WY&Y Investment Committee Papers 2015-16

- WY Transport Committee Papers 2015-16

- LEP Papers 2015-16

- WYCA Development Programme for 2016-17

- WYCA News and press release 2015-16

- LCR Devolution Deal March 2015

- LCR Devolution Proposal September 2015

- Leeds City Region Devolution Proposal March 2016 (HM Treasury embargoed publication)

- Cities and Local Government Act 2016

- LGA Get in on the Act, Cities and Local Government Act 2016

- Regeneration and Economy O&S Report, [Bradford in the Leeds City Region](#), 9th March 2016

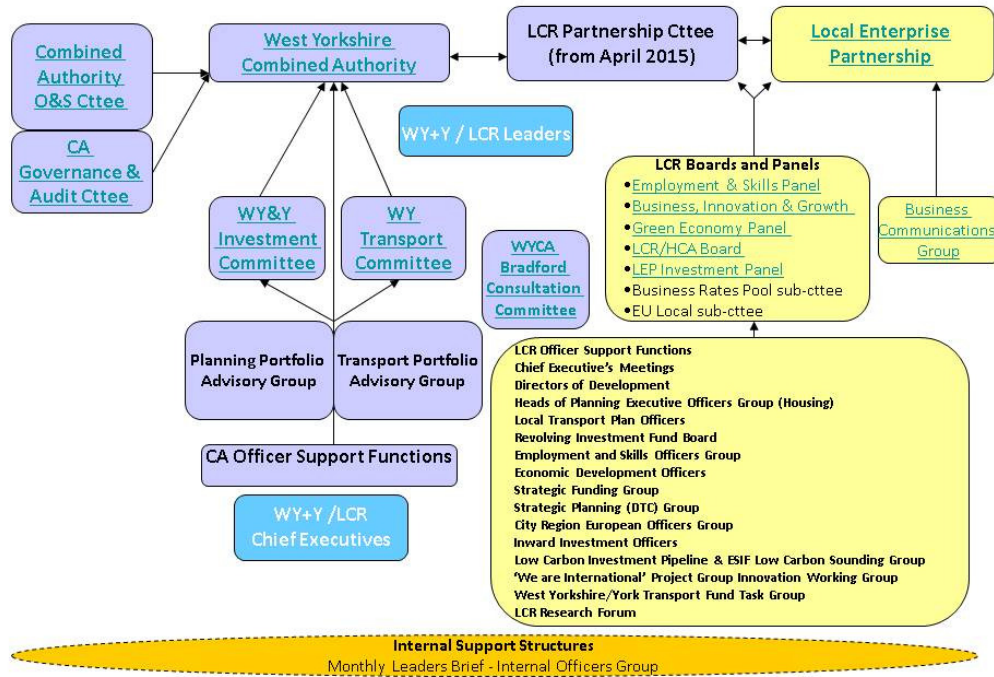


- Regeneration and Economy O&S Report, [Leeds City Region Strategic Economic Plan: Progress and Ambitions](#), 9th March 2016
- Corporate O&S Committee, [West Yorkshire Combined Authority Introduction & Update](#), 13th February 2014
- Governance & Audit Committee, [West Yorkshire Combined Authority: Governance Update](#), 4th April 2014
- Governance & Audit Committee, [Minutes](#), 4th April 2014
- Governance & Audit Committee, [Annual Governance Statement 2014-15](#), 26th June 2015
- Council, [WYCA Appointments and Nominations](#), 20th February 2014
- Council, WYCA Appointments and Nominations, February 2015

- *Background documents are documents relating to the subject matter of the report which disclose any facts or matters on which the report or an important part of the report is based, and have been relied on to a material extent in preparing the report. Published works are not included.*
- *All documents referred to in the report must be listed, including exempt documents.*
- *All documents used in the compilation of the report but not specifically referred to, must be listed.*



1. WYCA/LEP Governance Overview (Boards & Arenas)



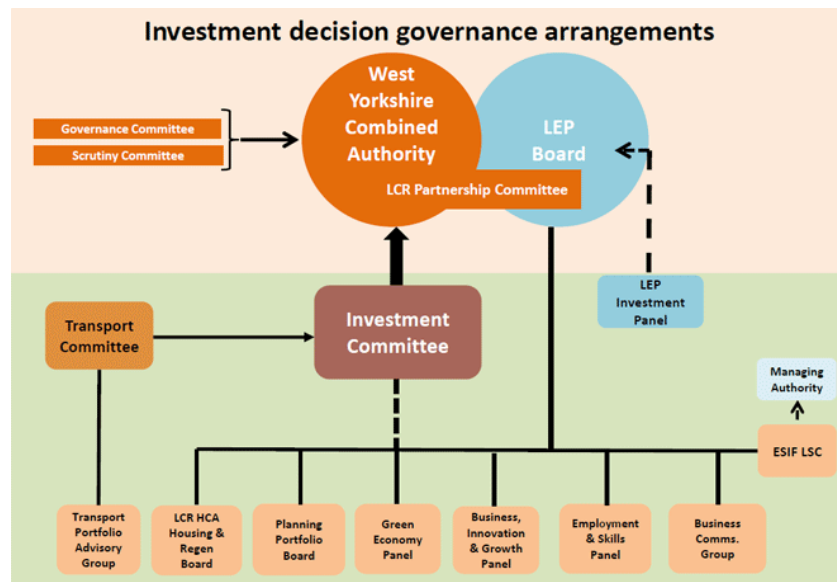
Over-and-above the Leader being co-opted onto WYCA and involved directly in WY&Y Investment Committee (on behalf of WYCA), he is also on the LEP. The Council has a number of members directly involved in other key bodies through nomination including the Transport Committee, WYCA's own Governance & Audit Committee and WYCA own O&S as well as the Bradford District Consultation Sub-committee.



The details of Bradford District Councillor involvement in WYCA for 2015-16 is summarised below:

Cllr Green	Cllr Slater	LEP Board	WYCA O&S Committee	WYCA Governance and Audit Committee	WYCA Bradford District Consultation Subcommittee *
<p>LEP Board</p> <p>WYCA</p> <p>WY&Y Investment Committee</p> <p>WYCA LCR Partnership Committee</p>	<p>WYCA Transport Committee</p> <p>WY&Y Investment Committee</p>	<p><i>Eric Hawthorn (Radio Designs)</i> <i>John Parkin (LBIA)</i></p> <p><i>Roger Marsh, LEP Chairman sits on Producer City Board to strengthen connections with and through Bradford District</i></p>	<p>Cllr F Shaheen (Lab)</p> <p>Cllr M Amran (Lab)</p> <p>Cllr M Ellis (Cons)</p>	<p>Cllr L Smith (Lab)</p>	<p>WYCA Transport Committee members:</p> <p>Cllr A Hussain (Lab)</p> <p>Cllr M Johnson (Lab)</p> <p>Cllr R Poulsen (Cons)</p> <p>Cllr T Salam (Lab)</p> <p>Bradford Cllrs:</p> <p>Cllr M Ellis (Cons)</p> <p>Cllr R Jamil (Lab)</p> <p>Cllr H Khan (Lab)</p> <p>Cllr M Swallow (Lab)</p>

[*] Public Representatives: Jane Gibbon, Fred Gilbert, Andrew Jewsbury, Peter Ketley, Gordon Lakin, Gareth Logan, Graham Peacock, John Prestage, Keith Renshaw, Barry Rigg, Rosie Watson, Andrew Wowk.



Source: WYCA 2015



Appendix 2 – Key governance developments 2015-16

Highlights are provided here for information.
LCR Assurance framework also in place through the LEP.

Finance & accounts

Regulations covering finance, accounts, audit and expenditure.

Audit

WYCA publish accounts, audit opinions and certificates at each financial year end. You can find these on their Freedom of Information (FOI) ['What we spend and how we spend it'](#).

Financial Regulations

The Authority has in place Financial Regulations which govern how responsibility for management of budgets and expenditure is delegated within the officer structure of the Authority.

Financial Regulations

Members' Allowances Scheme

The Authority formally adopted the Members' Allowances Scheme on 25 June 2015 following the recommendations of an Independent Remuneration Panel.
Allowances and expenses paid to members and the Scheme document is available from their FOI pages, ['What we spend and how we spend it'](#).

Organisational Governance

Corporate governance is essential for effective control and accounting. The Authority operates a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and administrative policies and procedures.

Standing Orders

The following Standing Orders have been adopted by the WYCA:-

- **Procedure Standing Orders (pdf - opens new window)** deal with the conduct of the meetings and business of the Authority; recording the decisions of the Authority; application to the conduct of committees of the Authority and matters such as quorum, order of business and conduct during meetings.
- **Access to Information Annex**
- **Code of Practice for Recording WYCA Meetings**
- **Scrutiny Standing Orders** govern the conduct of meetings of the Overview and Scrutiny Committee, the ambit of its terms of reference and the procedure for calling in decisions of the Authority and its committees for scrutiny.
- **Contracts Standing Orders** govern how the Authority procures goods and services and the proper procedures to be followed by officers of the Authority.

Officer Delegation Scheme



The Officer Delegation Scheme sets out the functions which are delegated to officers by the Authority.

Officer Delegation Scheme

Annex to Officer Delegation Scheme (Written Record of Officer Decisions)

Code of Corporate Governance

At its Annual Meeting on 25 June 2015, the Authority adopted a Code of Corporate Governance which is consistent with the principles of the best practice guidance issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and is based on six core principles.

Code of Corporate Governance

Code of Conduct for Members

The Code of Conduct, which was adopted by the Authority on 1 April 2014, sets out the conduct that is expected of members in relation to their conduct in office and includes procedures for their declaration and registration of disclosable pecuniary interests.

The Authority also has in place arrangements for dealing with allegations of a failure to comply with the Code of Conduct by members.

- **Code of Conduct for Members**
- **Procedure for considering complaints alleging a failure to comply with the Members' Code of Conduct**

Tendering for business with West Yorkshire Combined Authority

WYCA invites and receives tenders through an electronic tendering system.

WYCA's **Procurement Strategy** can be downloaded from the WYCA Freedom of Information section

Policies of the Combined Authority

On the 1 April 2014, the Authority adopted the general policies of the former West Yorkshire Integrated Transport Authority which were in force to enable the business of the Authority as the local transport authority to continue.



[Publications and Freedom of Information](#)

The Freedom of Information Act (FOIA) gives you the right to access recorded information held by public sector organisations. Anyone can request information – there are no restrictions on your age, nationality or where you live.

The West Yorkshire Combined Authority ("the Authority") is committed to open government and the proactive release of the information it holds.

The ICO's model publication scheme identifies 7 "classes" of information and WYCA use this as follows:

- [Who we are and what we do](#)
- [What we spend and how we spend it](#)
- [What our priorities are and how we are doing](#)
- [How we make decisions](#)
- [Our policies and procedures](#)
- [Lists and registers](#)
- [The services we offer](#)

Equality Objectives

The West Yorkshire Combined Authority is committed to promoting equality and values diversity, encouraging fairness with equal chances for all to work, learn and be free from any barriers, discrimination or victimisation.

Our equality aims

WYCA is committed to ensuring that its customers and employees are treated equally and fairly, through pursuing two aims:

- Ensuring that everyone in West Yorkshire has equal access to their services.
- Managing diversity within the workforce to benefit employees and organisational performance.

The Equality Act 2010

The Equality Act 2010 replaced and harmonised all previous equality law contained in the Race Relations Act, the Sex Discrimination Act and the Disability Discrimination Act.

Equality and Human Rights Commission website

WYCA's equality responsibilities

The Equality Act places a 'Public Sector Equality Duty' on public authorities like WYCA to eliminate discrimination, advance equality of opportunities and foster good relations between people.

How we achieve our equality aims and fulfil our equality responsibilities

WYCA achieves its equality aims and objectives through promoting equality internally, through its Equality and Diversity Policy. [Equality and Diversity policy](#)

WYCA also sets objectives to achieve specific equality outcomes. As with all of our work, these objectives flow from, and help to deliver, the third West Yorkshire [Local Transport Plan](#) (LTP3).

Equality Objectives



Equality Impact Assessments

WYCA consider the equality impact of any new project or service that they are planning to introduce, and any significant change in existing projects and services. They assess impacts early in the process of change in order to build equality from the start, using a consistent analytical approach that incorporates best practice.

Examples of their equality impact assessments include:

- [Castleford Bus Station equality impact assessment](#)
- [New Generation Transport \(NGT\) equality impact assessment](#)
- [Bradford bus network review](#)
- [Bradford bus network review, consultation appendix](#)
- [Wakefield bus network review](#)
- [Wakefield bus network review, consultation appendix](#)
- [Senior rail fares - July 2011](#)
- [Increase in concessionary fares for children, July 2011](#)

Equality information

In setting equality objectives and considering equality impacts WYCA analyses a wide range of information relating to its customers and its employees. However, WYCA are unable to collect or publish some information relating to one or both of these groups. This is often because there is insufficient justification, under the provisions of the Data Protection Act, for requesting and holding the data (for example, collecting data on bus passengers' religious beliefs or sexuality).

In other instances the numbers of staff sharing a protected characteristic are so low, because WYCA have a relatively small workforce of only 400, that there is a serious risk that publication could lead to identification of individuals.

For these reasons the list of information relating to equality and diversity that WYCA publishes is necessarily limited. The information that they can publish is:

- [Disciplinary, Conduct & Capability Policy](#)
- [Recruitment Equality Data - April 2014](#)
- [Workforce Equality Data - April 2014](#)



Appendix 3 – Overview of key reporting and publications of WYCA/LEP

Members, partners and the general public have access to West Yorkshire Combined Authority public papers electronically and through direct contact with WYCA itself, in writing or by telephone.

WYCA has a clear policy on openness and transparency as a local authority body and uses its website as the main route for this – www.westyorks-ca.gov.uk

Papers, reports and minutes for key committees are available via:

- [West Yorkshire Combined Authority](#)
- [WY & Y Investment Committee](#)
- [WY Transport Committee](#)
- [WY&Y Overview and Scrutiny Committee](#)
- [WYCA Governance and Audit Committee](#)
- [WYCA Leeds City Region Partnership Committee](#)

In addition, Cllr Cooke (Conservative Group Leader) receives WYCA information as a Conservative Substitute member of WYCA. Cllr Sunderland receives materials as a Liberal Democrat Member on WYCA.

On Transport operations, developments and schemes, especially in regard to passenger services there is a dedicated [Bradford District Consultation sub-Committee](#). Details on the sub-committees for Leeds, Wakefield, Calderdale and Kirklees are also published.

Group leaders and members are updated through their regular briefings on matters of concern or significance, including investment, development and performance. Information at key stages of strategy development (e.g. Single Transport Plan, Local Transport Plan Implementation Plan etc), scheme and investment planning, delivery and reporting involve front-line members in conjunction with CBMDC management and officers.

Reports have been taken on WYCA (and Leeds City Region Enterprise Partnership LEP) to CBMDC Executive, Governance & Audit Committee (with a focus on accountability, reporting and governance issues), Corporate Overview and Scrutiny (O&S) Committee, Regeneration and Economy O&S Committee (with a focus on economy and business) and Environment & Waste O&S Committee (with a focus on transport investment, schemes and operations)

WYCA is a local authority body, with the five councils as constituent core member councils. There are development plans in place for the year ahead to enhance communications, collaboration and partner arrangements as part of the continued development of the organisation and its fundamental relationship with the West Yorkshire and associated Councils.

As a public body, the West Yorkshire Combined Authority ("the Authority") is [committed to open government](#) and the proactive release of the information it holds. The Authority has a publication scheme and reviews this on an annual basis. However, material contained within the classes of information will be updated as required and any out-of-date information will be removed. The publication scheme is maintained by the WYCA



Information Officer

Details on Leeds City Region Enterprise Partnership LEP which is now looked after through WYCA are available via <http://www.the-lep.com/> and specifically through their [governance and funding pages](#)



Appendix 4 – Overview of WYCA/LEP Governance and Audit - materials

WYCA Governance & Audit Committee

- 9th February 2016 – Agenda (Minutes in preparation)
 - [Minutes Of Meeting 19th November 2015](#)
 - [WYCA External Audit Update](#)
 - [WYCA Internal Audit Progress Update](#)
 - [WYCA Internal Audit Plan 2016-17](#)
 - [WYCA Internal Controls and Financial Monitoring](#)
 - [WYCA 2016-17 Budget & Treasury Management Policy](#)
- 19 November 2015 Minutes
 - Treasury Management : Presentation (Verbal)
 - **External Audit Update**
 - **Internal Audit Progress Report**
 - **Internal Controls and Financial Monitoring**
- 28 July 2015 Minutes
 - **Forward Plan of Work**
 - **Internal Audit Progress Report**
 - **Audit Charter**
 - **Quality Assurance and Improvement Programme 2015**
 - **Annual Internal Audit Report and Opinion**
 - **Review of Internal Control and Effectiveness of Internal Audit**
 - **Internal Controls and Financial Monitoring**
 - **Medium Term Financial Strategy : Treasury Management and Reserves Policies**
 - **Approval of Annual Accounts for 2014/15**
- 22 April 2015 Minutes
 - **External Audit Update and Plan**
 - **Internal Audit Progress Report**
 - **Internal Controls and Financial Monitoring**
 - **Review of Governance Arrangements**
 - **Appointment of Independent Persons**
- 3 February 2015 Minutes
 - **External Audit Update**
 - **Internal Audit Progress Report**
 - **Internal Audit Plan 2015/16**
 - **Internal Controls and Financial Monitoring**



WYCA Overview and Scrutiny

- [23rd March 2016](#) - Agenda

Minutes of the Meeting of the Overview and Scrutiny Committee held on 16 February 2016

Flood Resilience in the Leeds City Region

Devolution Update

Forward Programme of Work

For information : Draft minutes of the meeting of WYCA held on 4 February 2016 (to be approved at the meeting of WYCA to be held on 31 March 2016)

Items for Feedback to WYCA

- 16th February 2016

Minutes of the Meeting held on 2 December 2015

Transport Issues and Priorities

Devolution

Floods Response

Forward Programme of Work

Reporting to WYCA

Items for Information:

Minutes of the Meeting of the WYCA held on 20 November 2015

Notes of the Meeting of the Priorities Task & Finish Group held on 19 January 2016

- 2nd December 2015 including WYCA 2016/2017 Budget and Business Plan
- Meetings also took place on 23 September 2015; 23 July 2015; & 28 April 2015



Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 15 April 2016.

Subject:

AS

Audit Strategy Memorandum 2015/16

Summary statement:

The Audit Strategy Memorandum sets out the plan for the external audit of West Yorkshire Pension Fund for 2015/16.

Mark Kirkham
Partner
Mazars LLP

Report Contact: Steve Appleton
Phone: 07881 283340
E-mail: steve.appleton@mazars.co.uk

1. SUMMARY

The Audit Strategy Memorandum sets out our audit plan for 2015/16. The document:

- describes our approach to the audit opinion on the accounts;
- includes our assessment of the significant risks of material misstatement in the accounts; and
- outlines the proposed testing strategy to address the identified risks.

We have identified significant risks of material misstatement relating to:

- management override of controls and revenue recognition which is common to all entities subject to audit;
- the valuation of unquoted investments; and
- the actuary's report disclosure note.

This is a major audit so Mazars have appointed an engagement quality control reviewer (EQCR) to review quality.

2. BACKGROUND

International Standards on Auditing (ISAs) require external auditors to communicate with Those Charged with Governance (TCWG) on a number of matters (see Appendix C of the Audit Strategy Memorandum for full details) including significant audit risks and how the auditor proposes to address them.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

➤ Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee consider the Audit Strategy Memorandum for West Yorkshire Pension Fund for 2015/16.

11. APPENDICES

The Audit Strategy Memorandum for West Yorkshire Pension Fund is attached as a separate document.

12. BACKGROUND DOCUMENTS

None.

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Audit Strategy Memorandum

West Yorkshire Pension Fund

March 2016

Mazars LLP
Mazars House
Gelderd Road
Leeds
LS27 7JN

Governance and Audit Committee
City of Bradford Metropolitan District Council
City Hall
Centenary Square
Bradford
BD1 1HY

March 2016

Dear Members

Audit Strategy Memorandum for the year ending 31 March 2016

We are delighted to present our Audit Strategy Memorandum for West Yorkshire Pension Fund for the year ending 31 March 2016.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. It is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, and Appendix A summarises our considerations and conclusions on our independence as auditors.

We value two-way communication with yourselves and we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion through which we can also understand your expectations.

This document will be presented at the Governance and Audit Committee meeting on 15 April 2016. If you would like to discuss any matters in more detail please do not hesitate to contact me on 0113 387 8850.

Yours faithfully

Mark Kirkham
Partner, for and on behalf of Mazars LLP

Contents

01 Purpose and Background.....	3
02 Audit scope, approach and timeline.....	4
03 Significant risks and key judgement areas	7
04 Your audit team	9
05 Fees for audit and other services	10
Appendix A - Independence	11
Appendix B – Materiality	12
Appendix C – Key communication points.....	13
Appendix D – Forthcoming accounting and other issues	14

Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and ‘Terms of Appointment’ issued by Public Sector Appointments Limited. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the administering authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01 Purpose and Background

Purpose of this document

This document sets out our audit plan in respect of the audit of the financial statements of West Yorkshire Pension Fund for the year ending 31 March 2016, and forms the basis for discussion at the Governance and Audit Committee meeting on 15 April 2016.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as to oversee the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process.

We see a clear and open communication between ourselves and you as important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks you face, which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Appendix C outlines the form, timing and content of our communication with you during the course of the audit. Appendix D sets out forthcoming accounting and other issues that will be of interest.

Scope of engagement

We are appointed to perform the external audit of your accounts for the year to 31 March 2016. The scope of our engagement is laid out in the National Audit Office's Code of Audit Practice.

Responsibilities

• Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Governance and Audit Committee, as those charged with governance, of their responsibilities.

• Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK and Ireland), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

We are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

02 Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide you with an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) and in accordance with the National Audit Office's Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

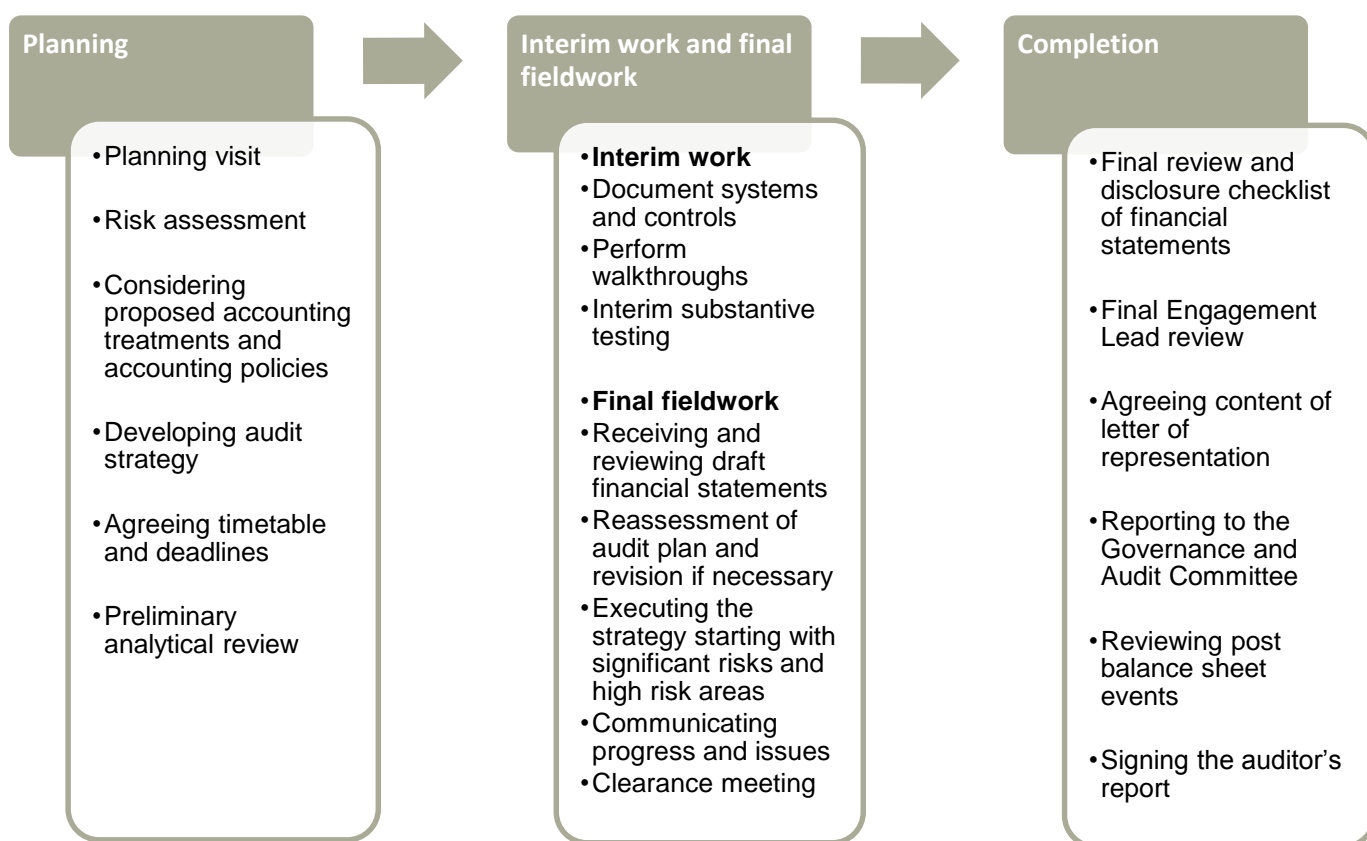
We apply a risk-based audit approach primarily driven by the matters we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment we develop our audit strategy and design audit procedures in response to this assessment. The work undertaken could include a combination of the following as appropriate:

- testing of internal controls;
- substantive analytical procedures; and
- detailed substantive testing.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. For West Yorkshire Fund we have decided to take a wholly substantive approach to our audit testing as this is considered to be more efficient.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Materiality and misstatements are explained in more detail in Appendix B.

The diagram overleaf outlines the procedures we perform at the different stages of the audit.



Reliance on Internal Audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

As noted on the previous page, we plan to take a wholly substantive audit approach and will not therefore be placing direct reliance on internal audit work in 2015/16. We will however liaise with internal audit to discuss the progress and findings of their work prior to the commencement of our work to inform our risk assessment.

Service organisations

There are material entries in your financial statements where the Fund is dependent on an external organisation. We call these entities service organisations. The table below outlines our approach to understanding the services the Fund receives from each organisation and the effectiveness of controls in place to reduce the risk of material misstatement in the financial statements.

Nature of services provided and items of account	Name of service organisation	Audit approach to be adopted
Investment managers who provide information for the valuation of unquoted investments recognised in the Net Assets Statement	There are a number of investment managers providing this service	We undertake walkthrough testing of the processes and controls in place for unquoted investments. However, as the accounts are prepared from

Custodian	HSBC	information provided by investment managers at the year end, most of our testing will be undertaken as part of the year end audit.
Stock lending including information used for the stock lending disclosure note	HSBC	We will obtain confirmation from HSBC of stock on loan and the covering collateral and other procedures related to the disclosure note.

The work of experts

We plan to rely on the work of the following experts:

Item(s) of account	Management's expert	Our expert
Actuary's Report and actuarial present value of promised retirement benefits.	Aon Hewitt	National Audit Office's consulting actuary (PWC)
Nature and extent of risk arising from financial instruments	State Street	None
Valuation of unquoted investments not traded on active markets	Investment managers	None

Timeline

The diagram below sets out the timing of the key phases of our audit work. We will communicate with management throughout the audit process and will ensure significant issues identified are communicated to those charged with governance on a timely basis.



03 Significant risks and key judgement areas

We have performed our planning procedures, including our risk assessment, as detailed in section 2. In addition, we met with management as part of the audit planning process to discuss the risks that, in management's opinion, the Fund faces and have considered the impact on our audit risk. The risks that we identify as significant for the purpose of our audit are the risks of material misstatement that in our judgement require special audit consideration.

We set out below the significant audit risks identified as a result of these meetings and planning procedures which we will pay particular attention to during our audit in order to reduce the risk of material misstatement in the financial statements.

Significant audit risks

Management override of controls

Description of the risk

International Standards on Auditing 240 – *The auditor's responsibility to consider fraud in an audit of financial statement* (ISA 240) requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.

In all entities, management at various levels within an organisation is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.

How we will address this risk

We will address this risk by:

- evaluating and testing the basis for material accounting estimates included in the financial statements;
- reviewing unusual or significant transactions outside the normal course of business; and
- testing a sample of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Valuation of unquoted investments for which a market price is not readily available

Description of the risk

As at 31 March 2015, the fair value of unquoted investments was £1.98 billion, which accounted for 17% of the Fund's total investments. As prices for these investments are not quoted in active markets, the

values included in the accounts are based on those provided by investment managers, who use a variety of valuation techniques. Where the valuations do not coincide with the Fund's year end, an adjustment may be made for cashflows since the investment manager valuation. The high estimation uncertainty results in an increased risk of material misstatement.

How we will address this risk

In addition to our standard programme of work in this area we will undertake the following tests:

- review the management controls in place to assess the reasonableness of the valuation;
- agree the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation;
- agree the investment manager valuation to audited accounts. Where these are not available, agree the investment manager valuation to other independent supporting documentation;
- where audited accounts are available, check that they are supported by a clear opinion; and
- where available, review any independent control assurance reports and confirm that they do not highlight any risks of material mis-statement.

Actuary's Report disclosure

Description of the risk

The disclosure note sets out the Fund's actuarial position at the most recent triennial valuation as at 31 March 2013 and the contribution rate to be paid by participating bodies from 1 April 2014.

Although no accounting entries are associated with this disclosure, the triennial valuation determines future employer contribution rates and the disclosure itself is material. The calculation of these figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. There is a risk of material misstatement due to high estimation uncertainty.

How we will address this risk

In addition to our standard program of work we will:

- review the management controls you have in place over the source data;
- consider the reasonableness of the Actuary's output, using our expert's report on all actuaries nationally which is commissioned annually by the National Audit Office; and
- review source data on a sample basis.

Key areas of management judgement

We have not identified any key areas of management judgement which require special audit consideration at this stage.

04 Your audit team

Below are your audit team and their contact details.

Engagement lead
(Partner)

- Mark Kirkham
- mark.kirkham@mazars.co.uk
- 0113 387 8850

Engagement manager
(Senior Manager)

- Steve Appleton
- steve.appleton@mazars.co.uk
- 07881 283 340

Team leader (Assistant
Manager)

- Sharon Liddle
- sharon.liddle@mazars.co.uk
- 07881 283 343

In addition to the above, Alistair Fraser has been appointed as an engagement quality control reviewer for this engagement.

05 Fees for audit and other services

Audit Fees

As communicated to you in our letter dated 8 April 2015, the Audit Commission has set a scale fee of £48,546 for 2015/16. Our audit fee for West Yorkshire Pension Fund is in line with the scale fee £48,546 (2014/15 £48,546).

Non-audit services

We do not currently plan any non-audit services, and no audit or non-audit services are currently provided to the Fund by Mazars LLP associated entities.

Appendix A - Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you, and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement, there are no relationships between us, and any of our related or subsidiary entities, and you, and your related entities, creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement lead.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham, Engagement Lead.

Prior to the provision of any non-audit services the Engagement Lead will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Appendix B – Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We have set materiality at the planning stage at £46,089,000 with a clearly trivial threshold of £1,383,000 below which identified errors will not usually be reported. We have set lower materiality levels for the disclosure of related party transactions as we consider these items to be of specific interest to users of the accounts sufficient to warrant audit procedures which would not otherwise be applied based on the materiality level for the audit as a whole. The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix C – Key communication points

ISA 260 'Communication with Those Charged with Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present to the Governance Committee the following reports:

- our Audit Strategy Memorandum;
- our Audit Completion Report; and
- Annual Audit Letter (a joint document for City of Bradford Metropolitan District Council and the Pension Fund).

These documents will be discussed with management prior to being presented to the Governance and Audit Committee and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our independence;
- Responsibilities for preventing and detecting errors;
- Materiality; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Unadjusted misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Key communication points to be included in our Annual Audit Letter

- Summary of key matters arising from the audit for the year;
- Final fees for the audit; and
- Significant future challenges.

Appendix D – Forthcoming accounting and other issues

The 2015/16 CIPFA Code of Practice on Local Authority Accounting (the Code) has made several changes to financial reporting requirements although few are likely to be relevant to the Fund.

As well as the accounting issue outlined below, we would like to draw the Governance and Audit Committee's attention to changes in the Accounts and Audit (England) Regulations 2015 that require the Council to notify us of the date on which the period for the exercise of public rights commences. If you require detailed information on any of these changes or any other emerging issues, please contact any member of the engagement team.

Forthcoming issues

Early deadlines	How this may affect the Pension Fund
<p>The Accounts and Audit Regulations 2015 outline earlier deadlines for local authorities to produce their statements of account from the 2017/18 financial year.</p>	<p>This change will have significant impact on local government pension funds and their auditors. We have started discussions with officers how we will meet the challenges the earlier deadlines pose.</p>
British Wealth Funds	How this may affect the Pension Fund
<p>On 25 November 2015 the Government published the Investment Reform Criteria and Guidance, setting out how LGPS investment pooling would work. It was anticipated that LGPS assets would be pooled into six British Wealth Funds in order to save costs and increase investments in infrastructure.</p> <p>The initial proposals submitted by funds in February 2016 showed that seven pooled funds are likely to be created.</p> <p>The government expects the transition of assets to commence from April 2018.</p>	<p>The change will have a significant impact on the local government pension funds, and will present a number of challenges and risks including:</p> <ul style="list-style-type: none"> • the transition of assets; • ensuring that adequate governance arrangements are put in place in the pooled fund; and • ensuring that funds continue to act in the best interests of members. <p>We will have regular discussions with Pension Fund officers to understand how these challenges are being met.</p>

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Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 15 April 2016.

AT

Subject:

Audit Strategy Memorandum 2015/16

Summary statement:

The Audit Strategy Memorandum sets out the plan for the external audit of City of Bradford Metropolitan District Council for 2015/16.

Mark Kirkham
Partner
Mazars LLP

Report Contact: Steve Appleton
Phone: (07881) 283340
E-mail: steve.appleton@mazars.co.uk

1. SUMMARY

The Audit Strategy Memorandum sets out our audit plan for 2015/16. The document:

- describes our approach to the audit opinion on the accounts;
- includes our assessment of the significant risks of material misstatement in the accounts; and
- outlines the proposed testing strategy to address the identified risks.

We have identified significant risks of material misstatement relating to:

- management override of controls and revenue recognition which is common to all entities subject to audit;
- revenue recognition which is also common to most entities subject to audit; and
- the high degree of estimation uncertainty relating to pension liabilities

This is a major audit so Mazars have appointed an engagement quality control reviewer (EQCR) to review quality.

2. BACKGROUND

International Standards on Auditing (ISAs) require external auditors to communicate with Those Charged with Governance (TCWG) on a number of matters (see Appendix C of the Audit Strategy Memorandum for full details) including significant audit risks and how the auditor proposes to address them.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee consider the Audit Strategy Memorandum for City of Bradford Metropolitan District Council for 2015/16.

11. APPENDICES

The Audit Strategy Memorandum for City of Bradford Metropolitan District Council is attached as a separate document.

12. BACKGROUND DOCUMENTS

None.

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Audit Strategy Memorandum

City of Bradford Metropolitan District Council

March 2016

Mazars LLP
Mazars House
Gelderd Road
Leeds
LS27 7JN

Governance and Audit Committee
City of Bradford Metropolitan District Council
City Hall
Centenary Square
Bradford
BD1 1HY

March 2016

Dear Members

Audit Strategy Memorandum for the year ending 31 March 2016

We are delighted to present our Audit Strategy Memorandum for City of Bradford Metropolitan District Council for the year ending 31 March 2016.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. It is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, and Appendix A summarises our considerations and conclusions on our independence as auditors.

We value two-way communication with yourselves and we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion through which we can also understand your expectations.

This document will be presented at the Governance and Audit Committee meeting on 15 April 2016. If you would like to discuss any matters in more detail please do not hesitate to contact me on 0113 387 8850 Yours faithfully

Mark Kirkham
Partner, for and on behalf of Mazars LLP

Contents

01 Purpose and Background.....	2
02 Audit scope, approach and timeline	5
03 Significant risks and key judgement areas	8
04 Value for Money Conclusion	11
05 Your audit team	13
06 Fees for audit and other services	14
Appendix A - Independence	15
Appendix B – Materiality	17
Appendix C – Key communication points.....	18
Appendix D – Forthcoming accounting and other issues	19

Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and ‘Terms of Appointment’ issued by Public Sector Appointments Limited. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01 Purpose and Background

Purpose of this document

This document sets out our audit plan in respect of the audit of the financial statements of City of Bradford Metropolitan District Council for the year ending 31 March 2016, and forms the basis for discussion at the Governance and Audit Committee meeting on 15 April 2016.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as to oversee the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process.

We see a clear and open communication between ourselves and you as important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks you face, which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Appendix C outlines the form, timing and content of our communication with you during the course of the audit. Appendix D sets out forthcoming accounting and other issues that will be of interest.

Scope of engagement

We are appointed to perform the external audit of your accounts for the year to 31 March 2016. The scope of our engagement is laid out in the National Audit Office's Code of Audit Practice.

Responsibilities

• Audit opinion and value for money conclusion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Governance and Audit Committee, as those charged with governance, of their responsibilities. We are also required to reach a conclusion on the arrangements that the Council has put in place to secure economy, efficiency and effectiveness in its use of resources (our Value for Money conclusion).

• Whole of Government Accounts

We report to the National Audit Office in respect of the consistency of the Council's Whole of Government Accounts submission with the financial statements.

• Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK and Ireland), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as whole are free from

material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

We are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

Significant matters considered

As part of our risk based approach to planning we consider a number of key performance and control environment features together with external developments. The following paragraphs set out some of the key aspects for 2015/16. We take into account the impact of the Council's financial performance and control environment, together with external factors in sections 2 and 3 of this document. Our current view is that this information does not give rise to any additional significant risks for our audit.

Key performance and control environment features

We use the Council's latest financial monitoring reports and medium term financial plan to consider the current financial position. The following table summarises in year activity to date.

Area	Budget	Forecast as at 31/12/2015	Projected year end outturn
Net revenue expenditure	£400.8m	£400.1m	£0.7m surplus
Capital expenditure	£102.8m	£81.4m re-profiled due to scheme deferrals	£21.4m net planned change in year

Ongoing pressure on the public finances presents significant challenges for the Council and the need to plan for further reductions in spending power, coupled with increased demand for services.

The Council approved planned savings of £37.7m for 2015/16 and further savings of nearly £89m will be needed to achieve a balanced position by the end of 2017/18. This is against a backdrop of having already delivered savings of £135m in the period 2011/12 to 2014/15.

The latest financial position statement, as at 31 December 2015, forecasts that 86% of planned total savings of £37.7m for 2015/16 will be achieved. Compensating measures have been identified that aim to ensure the shortfall in planned savings has no adverse impact on the Council's overall financial position.

Unallocated corporate reserves are forecast to total £19.6m at 31 March 2016 after the transfer of the forecast £0.7m surplus for 2015/16. The reserves will be utilised to support the budgets for 2016/17 (£6.1m) leaving a forecast balance of £13.5m at 31 March 2017.

The budget for 2016/17, approved in February 2015, shows a balanced position although projections for 2017/18 show a budget shortfall of £7.6m and a significantly greater shortfall of £28m in 2018/19. Further deep reductions in the net cost of Council services will be required to bridge the projected shortfall in future years.

02 Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide you with an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) and in accordance with the National Audit Office's Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

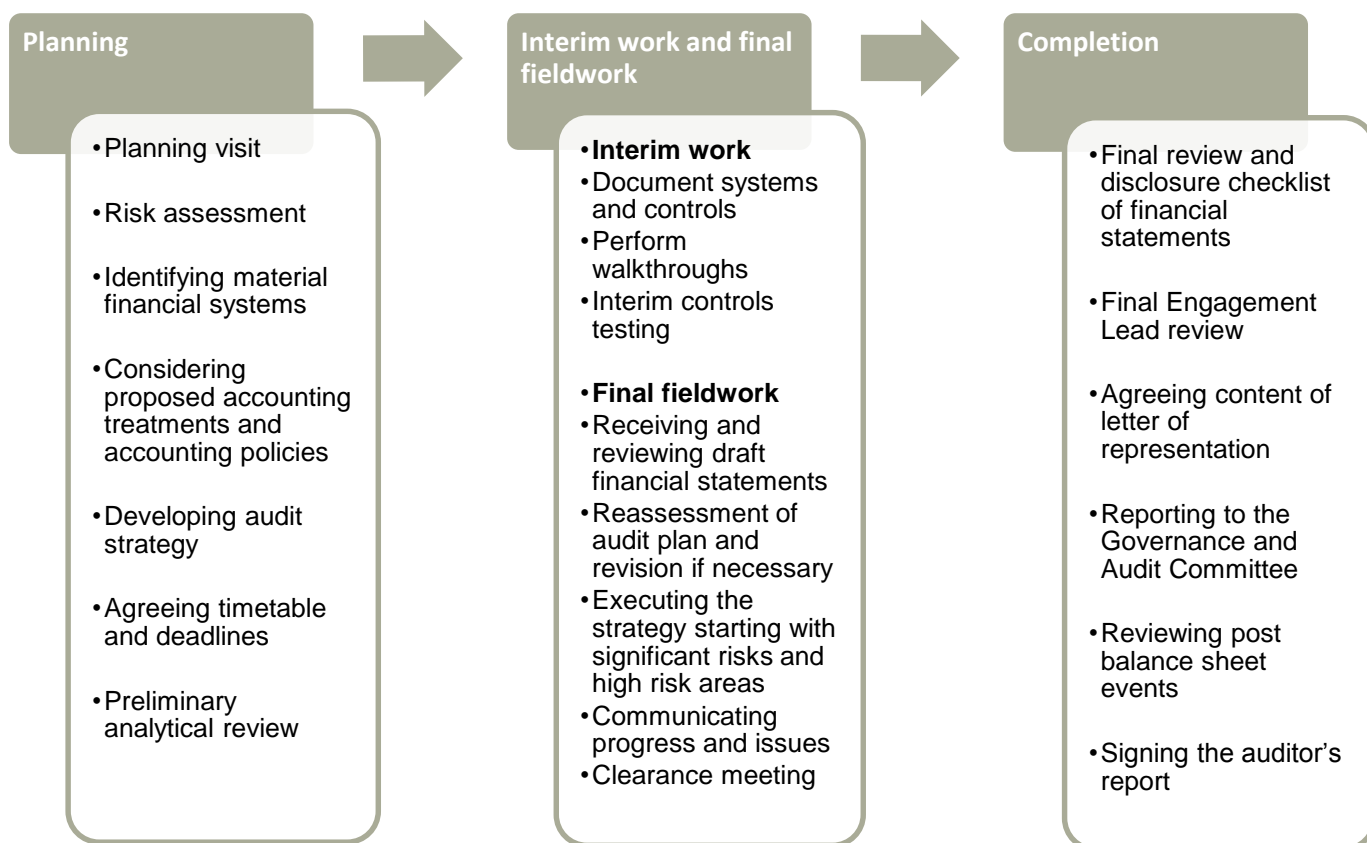
We apply a risk-based audit approach primarily driven by the matters we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment we develop our audit strategy and design audit procedures in response to this assessment. The work undertaken could include a combination of the following as appropriate:

- testing of internal controls;
- substantive analytical procedures; and
- detailed substantive testing.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Materiality and misstatements are explained in more detail in Appendix B.

The diagram overleaf outlines the procedures we perform at the different stages of the audit.



Reliance on Internal Audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

We intend to rely internal audit's work for council tax and business rates income. We will evaluate the work they performed and carry out our own audit procedures to determine its adequacy for our audit. We also indirectly use the work of internal audit in assessing the control environment, which informs our review of the Annual Governance Statement and the sample sizes for our substantive testing.

Service organisations

There are material entries in your financial statements where the Council is dependent on an external organisation. We call these entities service organisations. The table below outlines our approach to understanding the services the Council receives from each organisation and the effectiveness of controls in place to reduce the risk of material misstatement in the financial statements.

Nature of services provided and items of account	Name of service organisation	Audit approach to be adopted
Payroll service for schools that use an external provider to pay employees rather than the Council's payroll service.	The two material providers are Data-plan and Working for Schools.	Sufficient appropriate audit evidence is held at schools for us to substantively test schools' external payroll without contacting the service organisations.

The work of experts

We plan to rely on the work of the following experts:

Item(s) of account	Management's expert	Our expert
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt)	National Audit Office's consulting actuary (PWC)
Property, plant and equipment valuations	In house valuer (Estates and Property)	National Audit Office's consulting valuer (Gerald Eve)
Financial instruments: fair value estimates	Capita	Central assurance provided by the National Audit Office

Timeline

The diagram below sets out the timing of the key phases of our audit work. We will communicate with management throughout the audit process and will ensure significant issues identified are communicated to those charged with governance on a timely basis.



03 Significant risks and key judgement areas

We have performed our planning procedures, including our risk assessment, as detailed in section 2. In addition, we met with management as part of the audit planning process to discuss the risks that, in management's opinion, the Council faces and we have considered the impact on our audit risk. The risks that we identify as significant for the purpose of our audit are the risks of material misstatement that in our judgement require special audit consideration.

We set out below the significant audit risks identified as a result of these meetings and planning procedures which we will pay particular attention to during our audit in order to reduce the risk of material misstatement in the financial statements.

Significant audit risks

Management override of controls

Description of the risk

International Standards on Auditing (ISA) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.

In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we will address this risk

We will address this risk by:

- evaluating and testing the basis for material accounting estimates included in the financial statements;
- reviewing unusual or significant transactions outside the normal course of business; and
- testing a sample of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Revenue recognition

Description of the risk

In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

How we will address this risk

We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including:

- testing receipts in the pre and post year end period to ensure they have been recognised in the right year;
- testing a sample of adjustment journals; and
- obtaining direct confirmation of principal year-end bank balances and testing the reconciliations to the ledger.

Pension Estimates (IAS 19)

Description of the risk

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we will address this risk

We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will:

- evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and
- consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

Key management judgements

We recognise that within your financial statements there are specific accounting transactions and disclosures where management has exercised judgement. We consider that these areas require specific audit focus. We highlight below what we consider to be the key areas of management judgement and our planned audit approach.

Valuation of land and buildings

Description of the area of judgement

Land and buildings are the Council's highest value assets. Management use in house valuation services, as an expert, to determine the value of property to be included in the financial statements.

In addition a new financial reporting standard (IFRS13 fair value measurement) applies to the valuation of surplus property for 2015/16 and judgements may be required about 'highest and best' use values.

Our planned audit approach

We are liaising with management to update our understanding on the approach taken by the Council to the valuation of land and buildings including the requirements of IFRS13.

We will review:

- the scope and terms of the engagement with the valuer; and
- how management use the valuer's report to value land and buildings in the financial statements.

We will write to the valuer to obtain information on the methodology and their procedures to ensure objectivity and quality.

We will also consider evidence of regional valuation trends.

04 Value for Money Conclusion

Scope of work

For 2015/16, we are required to satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We perform our work in this area in accordance with guidance set out by the NAO in Auditor Guidance Note 3. This requires us to consider one overall criterion which is made up of three sub-criteria.

Overall criterion: *in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

Sub-criteria	Guidance
Informed decision-making	<ul style="list-style-type: none">• Acting in the public interest, through demonstrating and applying the principles and values of sound governance.• Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.• Reliable and timely financial reporting that supports the delivery of strategic priorities.• Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none">• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.• Managing and utilising assets effectively to support the delivery of strategic priorities.• Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none">• Working with third parties effectively to deliver strategic priorities.• Commissioning services effectively to support the delivery of strategic priorities.• Procuring supplies and services effectively to support the delivery of strategic priorities.

As part of our work, we will also:

- review your annual governance statement;
- consider the work of other relevant regulatory bodies or inspectorates, such as Ofsted and the Care Quality Commission, to the extent the results of the work have an impact on our responsibilities; and
- carry out any risk-based work we determine appropriate.

We have considered the risks that are relevant to our value for money conclusion and have identified the following significant risk that we will address through our work.

VFM risk – sustainable resource deployment

Description of the risk

The Council faces significant financial pressure from reduced funding and increasing demand for some services. The challenge to identify and implement savings is increasingly difficult as by the year end the Council will have reduced spending by £172.6m over the past 5 years.

The VFM risk is that we will not be able to reach a safe conclusion without undertaking further work to assess the Council's arrangements to achieve the planned balanced position in 2016/17 and to identify further plans to bridge the funding gaps for 2017/18 (£7.6m) and 2018/19 (£28m).

How we will address this risk

We will review the Council's arrangements for:

- monitoring budgets and ensuring that identified savings are being achieved;
- revising the medium term financial plan; and
- developing plans to bridge the funding gap for future years through the New Deal process.

We will also review a sample of project plans for saving proposals and consider the arrangements in place for delivery.

05 Your audit team

Below are your audit team and their contact details.

Engagement lead
(Partner)

- Mark Kirkham
- mark.kirkham@mazars.co.uk
- 0191 383 6300 or 07747 764 529

Engagement manager
(Senior Manager)

- Steve Appleton
- steve.appleton@mazars.co.uk
- 07881 283 340

Team leader (Assistant
Manager)

- Nicola Hallas
- nicola.hallas@mazars.co.uk
- 07881 283 559

In addition to your audit team, an Engagement Quality Control Reviewer has been appointed for this engagement.

06 Fees for audit and other services

Our audit fees for the audit of the financial statements and for any assurance or other services are outlined in the tables below.

Area of work	2015/16 Proposed fee	2015/16 Scale Fee	2014/15 Actual fee
Code audit work	185,317	185,317	247,089
Certification work	16,520	16,520	26,310
Total fee	201,837	201,837	273,399
Non audit work			
Teachers' pensions return – accountant's report	Subject to competitive quotation	N/a	2,100
Regional Growth Fund – accountant's report on a grant claim	N/a	N/a	1,750
Home and Communities Agency – accountant's report on 2 grant claims	N/a	N/a	1,500

Appendix A - Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you, and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement, there are no relationships between us, and any of our related or subsidiary entities, and you, and your related entities, creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement lead.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham, Engagement Lead.

Prior to the provision of any non-audit services the Engagement Lead will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

The following threats to our independence and associated safeguards have been identified.

Issue	Perceived threat	Safeguards and procedures
A member of the audit team has a close relation working as a senior manager in the Corporate Fraud Unit.	The close family relationship might be perceived as a threat to our independence.	The member of staff is not involved in audit work relating to benefits, fraud or value for money.
Services in relation to grants and returns certification and assurance.	We have considered threats and safeguards for all grants work as follows: <ul style="list-style-type: none">• Self-review: the work does not involve the preparation of information that has a material impact on the financial statements subject to audit by Mazars;	

	<ul style="list-style-type: none"> • Self-interest: the total fee level is not deemed to be significant to either the Council or Mazars. The work undertaken is not paid on a contingency basis; • Management: the work does not involve Mazars making any decisions in behalf of management: • Advocacy: the work does not involve Mazars advocating the Council to third parties; • Familiarity: the work is not deemed to give rise to a familiarity threat given these pieces of assurance work used to be within the Audit Commission’s certification regime and were the responsibility of the Council’s appointed auditor; and • Intimidation: the nature of the work does not give rise to any such threat.
<p>Mazars provides a no charge insolvency support service including issuing to the Council weekly notifications detailing personal insolvencies in the area, submission of council claims and ad hoc insolvency advice.</p>	<p>Management: The perceived threat is that provision of the service may involve management functions.</p> <p>The services do not involve the exercise of any management functions or decision making.</p>

Appendix B – Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We have set materiality at the planning stage at £19,425,000 with a clearly trivial threshold of £486,000 below which identified errors will not usually be reported. We have set lower materiality levels for the disclosure of senior managers' remuneration, members' allowances and exit packages as we consider these items to be of specific interest to users of the accounts sufficient to warrant audit procedures which would not otherwise be applied based on the materiality level for the audit as a whole. The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix C – Key communication points

ISA 260 'Communication with Those Charged with Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present to the Governance Committee the following reports:

- our Audit Strategy Memorandum;
- our Audit Completion Report; and
- Annual Audit Letter.

These documents will be discussed with management prior to being presented to the Audit Committee and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.
- Our independence.
- Responsibilities for preventing and detecting errors.
- Materiality.
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Our conclusions on the significant audit risks and areas of management judgement.
- Unadjusted misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.

Key communication points to be included in our Annual Audit Letter

- Summary of the key matters arising from the audit for the year.
- Final fees for audit and other services.
- Future challenges.

Appendix D – Forthcoming accounting and other issues

The 2015/16 CIPFA Code of Practice on Local Authority Accounting (the Code) has made several changes, of which you should be aware. Officers attended a local workshop we held to explain these changes and the possible impact on preparing the financial statements. The workshop provided full details of the changes in the 2015/16 Code as well as a forward look to potential future accounting changes that may be of relevance to the Council. If you require detailed information on any of these changes or any other emerging issues, please contact any member of the engagement team.

Forthcoming accounting issues

Transport infrastructure assets	How this may affect the Council
The measurement basis for the Council's Transport Infrastructure Assets will change from depreciated historic cost to depreciated replacement cost in 2016/17, but with no prior period restatement required. It is likely that the impact of this change will be significant and that the value of these assets on the Council's balance sheet will significantly increase.	We are aware that the Council has been doing work to meet the significant challenges that it faces in introducing this change in measurement basis and have engaged with them at an early stage to provide advice and assistance where required.
Early deadlines	How this may affect the Council
The Accounts and Audit Regulations 2015 outline earlier deadlines for local authorities to produce their statements of account to 31 May from the 2017/18 financial year. The deadline for the completion of the audit will also move forward to 31 July.	The impacts of this change on local authorities and their auditors are significant and we have begun to discuss with Council officers how we will meet the challenges the new dates place on us all.
Fair Value accounting	How this may affect the Council
The Code adopts the principles of IFRS 13 in respect of measuring fair value for the first time in 2015/16.	We have discussed with officers the implications of IFRS13 on the valuation basis for assets held as surplus assets (e.g. vacated premises) as they will need valuing at market value rather than existing use value.

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 15 April 2016.

Subject:

AU

Value for Money audit risk assessment 2015/16

Summary statement:

The report updates the Governance and Audit Committee on our audit risk assessment for the 2015/16 value for money conclusion and the specific work considered we plan to support a safe VFM conclusion

Mark Kirkham
Partner
Mazars LLP

Report Contact: Steve Appleton
Phone: 07881 283340
E-mail: steve.appleton@mazars.co.uk

1. SUMMARY

We have a statutory duty to reach a conclusion as to whether you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The VFM audit risk assessment report sets out the considerations which underpin our assessment of the specific work we need to do to reach an evidence-based conclusion. We have identified a significant audit risk for the VFM conclusion in relation to sustainable resource deployment, one of the sub-criteria identified by the National Audit Office as relevant to the auditor's overall conclusion.

To mitigate our audit risk we plan to review the Council's arrangements for:

- monitoring budgets and ensuring that identified savings are being achieved;
- revising the medium term financial plan; and
- developing plans to bridge the funding gap for future years through the New Deal process.

We will also review a sample of project plans for saving proposals and their delivery arrangements.

The report is an audit risk assessment and not an audit judgement or conclusion on the Council's VFM arrangements.

2. BACKGROUND

Not applicable.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee considers the VFM audit risk assessment report.

11. APPENDICES

The VFM audit risk assessment report is attached as a separate document

12. BACKGROUND DOCUMENTS

None.

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City of Bradford Metropolitan District Council

Value for money audit risk assessment – 2015/16 planning stage

March 2016



Contents

Executive Summary	2
Proper arrangements	4

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and 'Terms of Appointment' issued by Public Sector Appointments Limited. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01

Executive Summary

This document sets out the considerations which underpin the plan for the specific work we consider necessary to reach a safe VFM conclusion.

Auditor Guidance Note 03 issued by the National Audit Office (NAO), sets out the requirements for value for money (VFM) work in 2015/16. In respect of local government bodies, it states:

"Section 20(1) of the Act requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied ... (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'."

Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion:

Overall criterion: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements but these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-criteria:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

We used the NAO's guidance to carry out an initial audit risk assessment using a red / amber / green (RAG) rating with the following definitions.

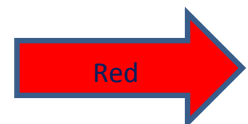
No audit risks to the vfm conclusion identified to date and no further work planned.



Not considered to be at audit risk at this stage although risk indicators to be followed up as further information becomes available.



Significant audit risk identified. This denotes risk to us as auditors in reaching a safe value for money conclusion so additional work is required to address our risk. It is a planning assessment of audit risk rather than a rating of the Council's arrangements.






The guidance also gives the following examples of issues which could be significant audit risks:

- organisational change or transformation;
- significant funding gaps in financial planning;
- legislative or policy changes; and
- repeated financial difficulties, or persistently poor performance.

Overall planning considerations

The Council’s financial position represents a significant risk to our value for money conclusion. Your need to transform services and functions to reduce costs and address funding gaps in future years represents a significant challenge for sustainable resource deployment. The Council has arrangements in place in most areas but there remains a risk of those arrangements not achieving the required outcome. Our audit risk assessment is dynamic and can change as the audit progresses and new information is considered.

Proper arrangements	
Informed decision making	 Amber
Sustainable resource deployment	 Red
Working with partners and other third parties	 Amber

The sub criteria in respect of sustainable resource deployment is categorised as red and therefore we consider that there is a significant risk to our VFM Conclusion. The other two sub criteria are assessed as amber. More details on each sub criteria can be found in the tables in section 2 of this report.

To mitigate our audit risk we plan to review the Council’s arrangements for:

- monitoring budgets and ensuring that identified savings are being achieved;
- revising the medium term financial plan; and
- developing plans to bridge the funding gap for future years through the New Deal process.

We will also review a sample of project plans for saving proposals and their delivery arrangements.

We have identified a number of areas (amber rated) where further work is required to obtain sufficient assurance to inform our conclusion and these are set out below:

- updating our assessment of informed decision making when the 2015/16 Annual Governance Statement and year-end financial and performance reports are produced;
- considering the Council’s response to the June 2015 OFSTED report on school improvement; and
- updating our assessment of working with partners and third parties for progress delivering the Better Care Fund Plan.

We will report the outcomes of this work together with comparative data on the Council’s financial position in a separate report to the Governance and Audit Committee.




02


Proper arrangements

The NAO guidance defines proper arrangements based on existing sector requirements to have arrangements in place to ensure proper governance, resource and risk management, and internal controls, and to report on the design and operation of those arrangements through Annual Governance Statements. For councils, this is the CIPFA/SOLACE framework for local government.




Drawing on the relevant requirements applicable to local bodies, proper arrangements cover the areas detailed in the tables in this section of the report.

Informed decision making




Proper arrangements	RAG Rating	Arrangements at City of Bradford Metropolitan District Council
Acting in the public interest, through demonstrating and applying the principles and values of sound governance.	 Amber	<ul style="list-style-type: none"> • Quarterly finance and twice-yearly performance reports to Executive. • Constitution on the website and subject to annual review and update. • 2014/15 Annual Governance Statement compliant with the CIPFA / SOLACE Delivering Good Governance Framework.
Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	 Amber	<ul style="list-style-type: none"> • We are not aware of data quality problems in respect of financial and performance information. • Frequent updates on the financial position covering at least 2 years between the annual updates of the 3 year Medium Term Financial Plan. • Consistent data in financial reports. • Action plan prepared in response to June 2015 OFSTED report. School improvement is a strategic priority
Reliable and timely financial reporting that supports the delivery of strategic priorities.	 Amber	<ul style="list-style-type: none"> • Regular and timely reporting to members. • Outturn has historically been reasonably close to projections in quarterly financial reports. • Track record of delivering planned savings and efficiencies in prior years with small underspends in each of the last 3 years.

Proper arrangements	RAG Rating	Arrangements at City of Bradford Metropolitan District Council
Managing risks effectively and maintaining a sound system of internal control.	 Green	<ul style="list-style-type: none"> • Risk management strategy approved January 2016 and first of quarterly reports to Executive in March 2016. • Risk register reviewed throughout the year by the Corporate Management Team. • Annual governance statement prepared, reviewed and approved by members. • Regular reporting by Internal Audit on internal control.

Sustainable resource deployment

Proper arrangements	RAG Rating	Arrangements at City of Bradford Metropolitan District Council
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	 Red	<ul style="list-style-type: none"> • Financial and performance reports demonstrate a history of achieving cost reductions without adversely affecting services to date. • A three year Medium Term Financial Plan which is comprehensive and identifies the funding gap in order to focus work to identify savings under the New Deal. • Balanced 2016/17 budget with detailed savings plans developed for 16/17 and 17/18 but a £8m gap remaining in the latter, despite £42m of savings arising from the New Deal. • A funding gap of £28m for 2018/19, which the Council intends to bridge through continuing the New Deal approach.
Managing and utilising assets effectively to support the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> • Asset register in place. • Asset management plan in place. • Significant savings in recent years from rationalising the estate to better fit the reduced size of the Council.
Planning, organising and developing the workforce effectively to deliver strategic priorities.	 Green	<ul style="list-style-type: none"> • HR performance indicators such as sickness within the corporate indicator set reported twice yearly. • New HR Strategy focused on talent management and plugging skill gaps as the scale of the Council continues to reduce. • New training programme to equip staff for the challenges ahead.

Working with partners and other third parties

Proper arrangements	RAG Rating	Arrangements at City of Bradford Metropolitan District Council
Working with third parties effectively to deliver strategic priorities.	 Amber	<ul style="list-style-type: none"> • Various policies and framework for partnership working established and working well. • Better Care Fund Plan being implemented with Section 75 agreement for a pooled budget with CCGs.
Commissioning services effectively to support the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> • Successful in reducing costs and savings proposals include working with partners. • Better Care Fund Plan being implemented with Section 75 agreement for a pooled budget with CCGs.
Procuring supplies and services effectively to support the delivery of strategic priorities.	 Green	<ul style="list-style-type: none"> • Use established national and regional procurement frameworks to maximise purchasing power. • Alternative delivery models already in place for some former council services (e.g. libraries) and more planned or being researched. • Broadway (Westfield) shopping centre delivered on time and in budget significantly regenerating the City Centre.

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Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 15 April 2016.

AV

Subject:

INTERNAL AUDIT PLAN 2016/17

Summary statement:

This report outlines the Internal Audit Plan for the financial year 2016/17. The delivery of the audit plan will assist with risks within the systems reviewed being managed to an acceptable level through improvement in internal control.

Stuart McKinnon-Evans
Director of Finance

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Portfolio:

Corporate

Improvement Area:

Corporate

1. SUMMARY

- 1.1 The purpose of this report is to inform the Governance and Audit Committee of the Internal Audit Plan for the financial year 2016/17, giving the Committee the opportunity to contribute to the plan. It seeks to demonstrate that Internal Audit adds value to the Council by providing independent and objective assurance of risks to internal control within the Council's systems and processes. The Audit Plan reflects internal stakeholders' needs and the expected needs of the Council's external auditors for 2016/17.
- 1.2 The delivery of the audit plan will assist with risks within the systems reviewed being managed to an acceptable level through improvement in internal control. This provides the external auditors with the audit assurances that they require on the Council's fundamental financial systems.
- 1.3 This Internal Audit Plan details the work planned for the financial year 2016/17 and indicative plans for 2017/18 and 2018/19.

2. BACKGROUND

Internal Audit Plan 2016/17

- 2.1 The Council's Constitution gives the Governance and Audit Committee the responsibility of approving the Internal Audit Plan.
- 2.2 The Internal Audit Plan details the work planned for the 2016/17 financial year. The plan demonstrates that Internal Audit's resources are managed effectively and that the coverage is appropriate to allow the Head of Internal Audit, Insurance, Information Governance and Risk to gain sufficient evidence to be able to form an opinion on the internal control systems of the Council that it has reviewed.
- 2.3 This 2016/17 Internal Audit Plan is the second year of a three year plan that was designed to cover 2015/16 to 2017/18. The three year plan examined the Council's corporate risk register and the financial flows to ensure that internal audit resources are directed appropriately and that the Council's assurance processes are maintained. The 2016/17 plan is based on this original review but incorporates any known new changes to the Council's risk profile. In addition the 2016/17 plan takes into account any slippage from the 2015/16 Internal Audit Plan.
- 2.4 In 2018/19 it is envisaged that a new three year plan will be adopted which will take into account the new environment and financial envelope the Council will operate in. These changes are likely to be very significant. The audit coverage indicated in the attached plan which covers 2018/19 does not incorporate this revised position but is the simple rolling forward of the work completed in 2015/16 plus any known deferrals from 2016/17 and 2017/18.
- 2.5 Performance against the plan is expected to be very challenging in 2016/17, as it was in 2015/16. The section's reduced resources give it very limited capacity to absorb unforeseen audit issues and unplanned work. Its performance will be reported to the Governance and Audit Committee in the Internal Audit Half Year Monitoring statement in November 2016 and in the Annual Audit Report in June/July 2017.

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

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. 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 2015 requires 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), which it does by following the CIPFA Local Government Application Note. The Internal Audit Plan needs to be approved by the Governance and Audit Committee to ensure compliance with the PSIAS.

9. OTHER IMPLICATIONS

9.1 Equal Rights

The Audit Plan 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 will review the delivery of service to ensure that either appropriate charges have been made or that the service provided is in accordance with the formal decision making process of the Council.

9.2 Sustainability implications

When reviewing Council Business Internal Audit will be examining the sustainability of the activity and to ensure 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

11.1 That the Committee reviews and approves the Internal Audit Plan for 2016/17.

12. APPENDICES

12.1 Appendix 1 – Internal Audit Plan 2016/17

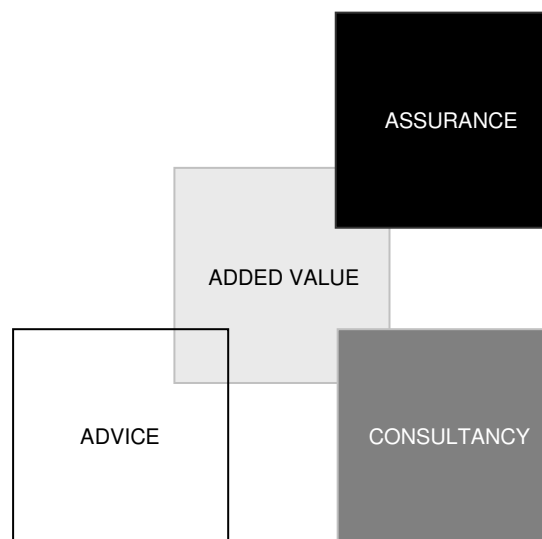
13. BACKGROUND DOCUMENTS

13.1 Accounts and Audit Regulations 2015.

13.2 Public Sector Internal Audit Standards.

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

INTERNAL AUDIT PLAN 2016/17



INTRODUCTION

One of the requirements of the “Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note” is that an Annual Internal Audit Plan is produced and approved by the Governance and Audit Committee. Compliance with the PSIAS and the Local Government Application Note is a requirement of the Accounts & Audit Regulations 2015.

The plan has been developed in consultation with Stuart McKinnon-Evans, the Director of Finance and Section 151 Officer of the Council and the Strategic Directors for each Department along with their management teams. In order to prevent duplication of work and to ensure that the required audit assurances on the Council’s financial systems are provided, the 2016/17 plan will be shared, as is normal practice, with the Council’s external auditors. Internal Audit is committed to maintaining a strong working relationship with External Audit co-planning the internal and external audit programmes as required. Regular meetings will be held with the External Auditors throughout the year in order to share mutually beneficial information relating to risks and controls.

This Internal Audit Plan details the work planned for the financial year 2016/17 and indicative plans for 2017/18 and 2018/19.

MARK ST ROMAINE

Head of Internal Audit, Insurance, Information Governance and Risk

March 2016

Circulation:

Members
Stuart McKinnon-Evans
Mark Kirkham
All Staff

Governance and Audit Committee
Director of Finance
Director and Engagement Lead, Mazars
Internal Audit

1. KEY AIMS

1.1 The key aims of Internal Audit are to:-

- Support the Governance and Audit Committee.
- Independently review, appraise and report on the adequacy of the systems of financial control throughout the Council and act as a catalyst for positive change and continual improvement.
- Provide assurance to Management that identified risks are controlled to an acceptable level and emerging risks and proposed developments reviewed are also adequately governed and managed with appropriate controls built in.
- Be a source of advice on risk and control issues to service managers on operational matters and the impact of change
- Champion and promote good practice and support the Council in its wider business objectives.
- Assist in promoting an environment and culture which will help deter and identify suspected fraud.
- Add value to the Council by identifying any improvements during the day to day audit activity.
- Provide required assurance to Government Departments on the entitlement to and application of specific funds.
- Work in partnership with External Audit to minimise duplication of the audit resource.

2. EXTERNAL ASSESSMENT OF INTERNAL AUDIT

2.1 In order to comply with PSIAS, Internal Audit must adopt a Quality Assurance and Improvement Plan. This is a combination of an Internal and External Assessment process. Over the last two years Councils in West and South Yorkshire have been looking to establish a peer review process which will allow each Council to comply with the external assessment element of the PSIAS. It is also envisaged that by taking a peer review approach any additional costs will be limited. In the last quarter of 2015/16 Bradford Internal Audit conducted the external assessment of Barnsley and if the peer review process is to continue then Doncaster are planned to do the review of Bradford Internal Audit in the second half of 2016/17.

2.2 It is the responsibility of the Governance and Audit Committee to determine who should undertake the review of Internal Audit and the scope of the review that should take place. A report will be prepared for the Committee to consider this later in the financial year. This will detail the proposed external assessment, its peer review basis and how it will be incorporated into the quality assurance and improvement plan.

3. JOINT WORKING WITH WAKEFIELD

3.1 In September 2014 the Council entered into a Service Level Agreement (SLA) with Wakefield Council, for Bradford to provide its Head of Internal Audit and Insurance to manage Wakefield's Internal Audit & Risk Service. The Service Level Agreement also requires a Business Plan to be prepared to determine an option appraisal for future service delivery. Originally the Business Plan was to be prepared for December 2015 but the timeline has been deferred until April 2016.

3.2 Joint working with Wakefield was developed further in 2015/16 with Wakefield's Computer Auditor working on a part time basis with Bradford. The two Councils were also looking to

merge its Corporate Fraud functions. In 2016/17 the Internal Audit Plans for both councils will be shared and the Audit Managers will look to jointly develop work programmes and for expertise in specific audit services to be enhanced. As in 2015/16 there is the intention to arrange a joint training event for the teams from both Councils.

4. MK INSIGHT

- 4.1 One of the barriers to joint working between Bradford and Wakefield has been that both services use different processes for conducting audits and managing the Internal Audit plan. In order to reduce this barrier, an outline business case was prepared for the approval of the purchase of MK Insight by Bradford Council's Internal Audit Service. MK Insight is an integrated Internal Audit ICT package which delivers a complete range of Internal Audit functionality from planning, to reporting including time recording and working paper preparation. This would replace the collection of manual and Microsoft based documents and out of date in house packages currently operated by Bradford Council. As Wakefield Council also uses MK Insight it would facilitate the opportunity for increased joint working between the two Councils' Internal Audit Services and also enable agile working by Bradford's Internal Audit Team.
- 4.2 In 2015/16 a business case was prepared which supported the purchase of MK Insight by Bradford Council Internal Audit Service. This reviewed the value for money position, determined an action plan for the Implementation of MK Insight and identified the key risks to Bradford Council from the available ways forward.
- 4.3 After considering appropriate advice from Procurement and ICT the Audit Management Team and the Council's Director of Finance agreed that the adoption of MK Insight was the correct way forward and 10 Licences have been purchased.
- 4.4 Following a period of training and development MK Insight will begin to be used by the Internal Audit Team from October 2016 with a view to being fully operational from April 2017. It is estimated that the implementation of MK Insight will take up 150 resource days in 2016/17.

5. RESOURCES AVAILABLE

- 5.1 The total net resources available to Internal Audit are 1,873 person days (7.2 FTE) which has slightly increased by 78 days (0.3 FTE) from the 1,795 days (6.9 FTE) available in 2015/16. This increase is due to the full year effect of buying in computer audit service days from Wakefield. There are currently no further staffing changes planned to the Internal Audit establishment in 2016/17.

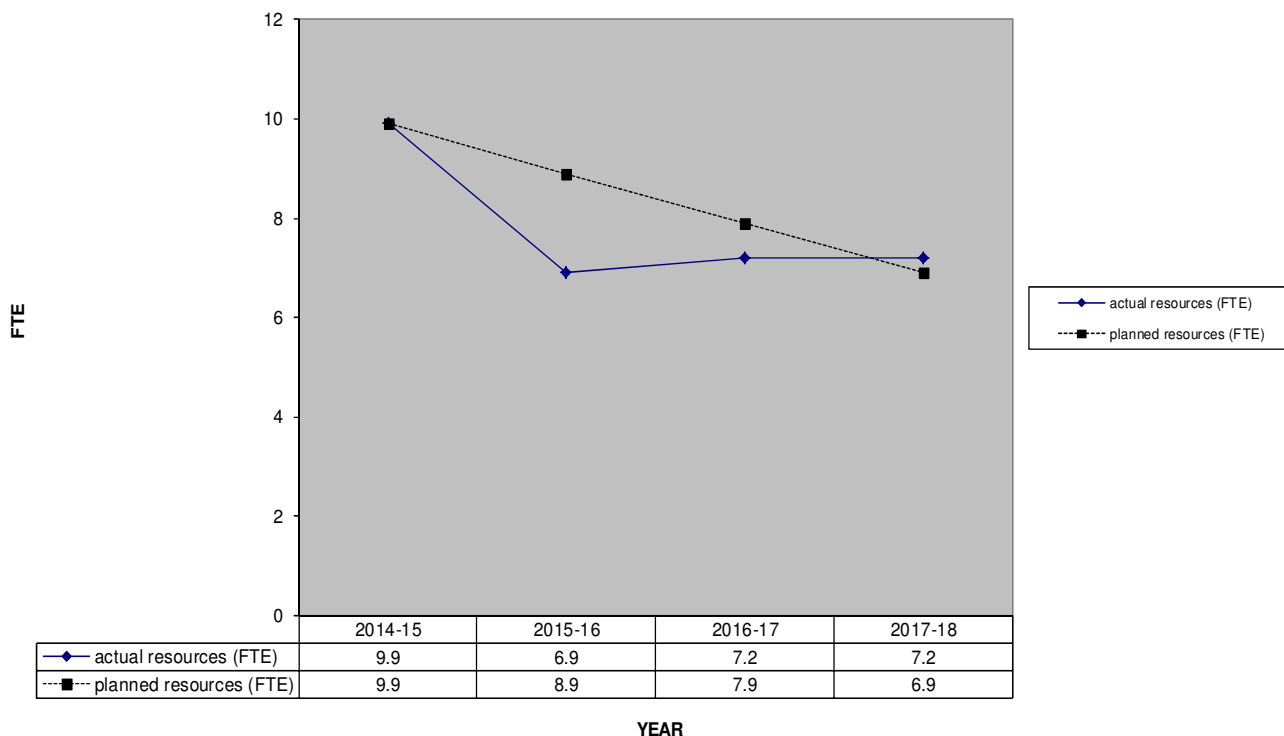
6. INTERNAL AUDIT PLAN SUMMARY 2016/17

- 6.1 The Internal Audit Plan details the work planned for the 2016/17 financial year. The plan demonstrates that Internal Audit's resources are managed effectively and that the coverage is appropriate to allow the Head of Internal Audit, Insurance, Information Governance and Risk to gain sufficient evidence to be able to form an opinion on the internal control systems of the Council that it has reviewed.
- 6.2 This 2016/17 Internal Audit Plan is the second year of a three year plan that was designed to cover 2015/16 to 2017/18. The three year plan examined the councils corporate risk register and the financial flows to ensure that internal audit resources are directed appropriately and that the Council's assurance processes are maintained. The 2016/17

plan is based on this original review but incorporates any known new changes to the council's risk profile and takes into account any work carried rolled forward from 2015/16.

- 6.3 In 2018/19 it is envisaged that a new three year plan will be adopted which will take into account the new environment and financial envelope the Council will operate in. These changes are likely to be very significant. The audit coverage indicated in this plan which covers 2018/19 does not incorporate this revised position but is the simple rolling forward of the work completed in 2015/16 plus any known deferrals from 2016/17 and 2017/18.
- 6.4 The summary of the Internal Audit Plan for 2016/17 in person days, by type of audit activity, is shown in Appendix A. The plan initially showed a resourcing gap but has been brought into balance after undertaking a prioritisation process, based on risk, materiality and service knowledge which has seen a number of audits deferred into future years, and some removed from the three year plan altogether. Changes were also made to the 2017/18 and 2018/19 years of the plan as a result of this. A summary of these changes is given in Appendix F.
- 6.5 It should be noted that whilst the audit plan is now balanced, some of the deferred audits, which relate to significant risks, would have been performed in 2016/17 if Internal Audit had sufficient capacity.
- 6.6 Whilst there has been a slight increase in the resources available to internal audit from last year, this still does not compensate for the resource gap caused by the unplanned reduction of 3 FTEs in 2014/15. The service is still operating at a reduced capacity that was expected to be achieved in 2017/18 as detailed in the graph below. There are no planned changes to the Service's structure during the 2016/17 financial year.

INTERNAL AUDIT RESOURCE GAP



- 6.7 Performance against the plan is expected to be very challenging in 2016/17, as the balanced plan gives the Service very limited capacity to absorb unforeseen audit issues and unplanned work, without it affecting the delivery of planned core audit work. Over the last four years the number of audit reports produced by the team has almost halved from 160 to approximately 85 reports per annum.
- 6.8 During the year progress against the audit plan will be regularly monitored to ensure that audit resources are efficiently and effectively deployed. The performance will be reported to the Governance and Audit Committee in the Internal Audit Half Year Monitoring statement in November 2016 and in the Annual Audit Report in June/July 2017.
- 6.9 The majority of assignments will be completed during the year but as is normal working practice some will inevitably be finalised in the following financial year. The annual plan may change during the year, subject to capacity constraints, to reflect any significant events or new risks that occur through the year.

7 BREAKDOWN OF AUDIT ACTIVITY

The following sections provide the detailed breakdown of the major productive areas covered in the Internal Audit Plan, by audit activity type, together with an indication of some of the key considerations in each area.

7.1 Service Assurance Based Internal Audit Activity

Previous years' plans were focused on financial issues however PSIAS require Internal Audit to take a broader view on the Council's business risks and objectives. In order to facilitate this, it was agreed that Internal Audit would review the control environment supporting the Council's Corporate risks. An assurance mapping exercise was performed on the Council's Corporate risk register to identify the possible work Internal Audit could complete to benefit the Council.

This was used to produce a new three year audit plan, the 2016/17 audit plan looks to provide a broader view of audit coverage, as there is provision in the plan to perform five audits that will look at controls which focus on organisational rather than financial issues. These audits will, on a cyclical basis, focus on providing assurance regarding the risk management of a sample of the corporate risks as stated in the corporate risk register. Appendix B shows the suggested cyclical audit coverage of the current corporate risks, which can be revised as appropriate.

In addition, the audit plan will look to deliver more service assurance based internal audit activity than in previous years. These are included within the significant systems area of the plan, see Appendix D.

7.2 Fundamental Financial Systems

The work undertaken by Internal Audit helps the Director of Finance and External Audit to fulfil their statutory responsibilities. Fundamental financial systems are those systems that have a material impact on the Council's accounts, for example Council Tax. These audits ensure that there are adequate controls to support the Annual Governance Statement and influence the level of External Audit testing.

Appendix A shows that a total of 292 days has been allocated to fundamental financial systems work for 2016/17. This is a decrease of 15% on the 345 days allocated in 2015/16.

The approach to auditing fundamental financial systems was changed in 2015/16 due to the reduction in resources. The approach now only centres on in depth auditing, on a three year cycle, of the controls operating within an element of the fundamental financial systems. This is the prime basis of the Head of Internal Audit, Insurance, Information Governance and Risk's assurance statement. The previously performed annual high level review of key risk and controls within each identified fundamental system will no longer be performed.

Details of the fundamental financial systems and their cyclical coverage are shown in Appendix C.

7.3 Significant Systems

The audit risk assessment identifies all the significant audit risks. The work on significant systems of the Council, which are operational within Services, supports the assurance statement on the internal control systems of the Council. On a three year cycle, Internal Audit aims to cover most of the Council's significant systems.

Details of the planned 3 year coverage of core significant departmental systems is shown in Appendix D. This also includes new systems that are financially significant, as highlighted through the assurance mapping exercise and issues raised by senior management.

Appendix A shows that 324 days has been allocated to significant systems work for 2016/17, which is an increase of 8% on the 299 days allocated in 2015/16.

7.4 School Audits

Schools operate under delegated financial and governance arrangements and have responsibility for significant resources. The audit plan each year includes time for the review of the systems within schools and providing advice to schools.

Each year audits are undertaken at a number of individual schools deemed higher risk due, for example, to the level of support they need from the School Funding Team or significant changes at the school. These audits assess the mitigation of risks at the school across seven key areas. The 2016/17 plan includes capacity to perform ten school audits during the year. The position regarding academy conversions will also be monitored throughout 2016/17 to ensure audit resources are focussed appropriately within this changing landscape.

The plan includes capacity to roll out and review the Internal Control Checklists which have been developed during 2015/16 with the intention of enabling schools to become more self reliant in assessing their controls against good practice.

There is an allocation of time relating to the Schools Financial Value Standard, (SFVS), an Education Funding Agency initiative consisting of 25 questions which School Governing Bodies must discuss annually with their Heads and Senior Staff. All maintained schools, except those that meet certain exception criteria, are required to complete an annual SFVS assessment and return it to the Council by the 31 March.

The SFVS also places a requirement on the Director of Finance to have in place a system of audit for schools which gives adequate assurance over their standards of financial management and to take into account the SFVS returns when setting the audit plan for

schools. This must be declared within an annual position statement which also details the number of schools carrying out the self assessment. There is an allocation of time within the plan for analysis of the assessments in order to inform the audit plan and the Director of Finance's position statement.

Completion of the SFVS is the responsibility of individual schools. However, to assist schools, there is an allocation of time in the audit plan to provide them with SFVS training. The aim of the training, which was first delivered in February 2015 and repeated in November 2015, is to equip Governing Bodies with the skills needed to produce a good quality SFVS return. Due to the positive feedback from the training to date, it is intended to offer this once again with the intention of covering as many schools in the district as possible.

Appendix A shows that the number of resources allocated to schools work for 2016/17 is 171 days, which is consistent with the 176 days allocated in 2015/16.

7.5 Computer Audit

Computer audit coverage is planned to be delivered over a 3 year cycle as shown in Appendix E. A total of 60 days has been allocated to computer audit in 2016/17, which is consistent with the days allocated in 2015/16, however in 2016/17 the provision will be delivered entirely through the computer audit services bought in from Wakefield Council.

7.6 Grants

There are no significant differences in the number of grants and funding streams known to require certification in 2016/17 compared to 2015/16, although, as in previous years there is always potential for Internal Audit to receive notification of new grant certifications during the year.

Grant work has been allocated 65 days within the 2016/17 plan to complete the certifications listed below.

Cycle City Ambition Grant 2015/16
Disabled Facilities Grant 2015/16
Families First Funding
Highways Challenge Fund Grant 2015/16
Local Authority Bus Subsidy Grant 2015/16
Pinch Point Funds Grant 2015/16
PE & Sport Grant 2015/16
WCA Local Transport Block Funding 2015/16
West Yorkshire Plus Transport Fund 2015/16

7.7 Follow Up Audits

The Chief Executive and Strategic Directors have responsibility, in accordance with Financial Regulations, to ensure that agreed action on Internal Audit report recommendations has been implemented; and on an annual basis Internal Audit seek written confirmation of the level of progress of implementation.

In addition a sample of follow up audits are carried out to confirm that actual progress is in line with that stated.

During 2016/17 Internal Audit will look to enhance the way in which recommendations are monitored with the aim of encouraging more timely implementation of recommendations and improving the accuracy of the annual Director's sign off.

Appendix A shows that the number of resources allocated to follow ups in 2016/17 is 93 days, which is a reduction from the 2015/16 allocation of 105 days.

7.8 Probity Audits

The purpose of probity audits is to ensure that Council establishments are maintaining an appropriate level of financial control. There will be some audit coverage of Council establishments in 2016/17 in the pursuance of the fundamental and significant systems' areas of the audit plan.

However, no days have been allocated specifically to the performance of probity audits in 2016/17, which compares to the 30 days allocation in 2015/16. This decision has been taken due to capacity reasons and their relatively low audit risk.

It should be noted that the annual key control book self assessment process also provides a level of assurance that establishments have an appropriate level of financial control.

7.9 Advice & Controls Awareness

Advisory and control awareness work is mainly demand led and includes advice on system design. This has been allocated 64 days in 2016/17, which is identical to 2015/16 allocation.

7.10 Audits Deferred and Deleted from the 2016/17 Plan (and 2017/18 Plan)

Details of the audits deferred and deleted from the initial Internal Audit Plan 2016/17 to match the level of available resources is shown in Appendix F. The appendix shows the rationale for their removal and also includes those audits that were originally planned in the 3 year plan for 2017/18 that will now be deferred to 2018-19, or are not planned to be performed at all.

8. West Yorkshire Pension Fund (WYPF)

The WYPF Internal Audit Plan (see Appendix G) is for 170 days commissioned work that is split between investments and the administration of pensions. The volume and value of transactions is used to initially determine the frequency of an audit and necessitates that some of the key financial systems are reviewed more frequently than others. Consideration is also given to the significance of previous recommendations made, new legislation, new systems and the Director's priorities. The timing or frequency of an audit may change if a system is changed or Internal Audit is asked to bring forward a specific audit or has specific concerns. If new systems are introduced these will be prioritised to be audited once the system is embedded.

Investments

Equities are audited every year due to the value of the investments, (69.1% of WYPF's market value at 31.12.15). In addition, one of the other asset classes is also audited. The choice of additional asset class to be audited each year depends on the value of asset class, changing investment priorities, the Director's view and whether there is a new area of investment activity. Direct Property Investment will be audited as a new investment area for the first time in 2016/17.

Treasury Management is currently being audited on an annual basis following the banking crisis and the increased risk to cash holdings. The Financial Controller has also requested that we carry out a Quality Check on the WYPF statement of accounts on an annual basis.

Pensions

Ensuring that New Pensions and Lumps Sums are correctly calculated and paid is crucial to the success of the system because all future payments are based on this calculation. Therefore this area is audited annually, using a different pensioner type each year.

Local Government Scheme Contributions are audited every two years, whilst Annual Benefits Statements are audited twice in every five years, Transfers In every three years and Purchase of Additional Pension once every five years.

All of the other pension audits occur at least once in every five years subject to agreement with the Financial Controller.

Contingency

The WYPF Internal Audit Plan also contains a contingency to accommodate requests for additional work during the year.

INTERNAL AUDIT PLANS FOR 2016/17 AND 2015/16 BY AUDIT ACTIVITY

	2015/16 Plan	2016-17 Plan
	2015-16	2016-17
Full Time Equivalents	6.9	7.2
	Days	Days
Fundamental Financial Systems	345	292
Significant Systems	299	324
Schools	176	171
Computer Audit	60	60
Grants	63	65
Follow-up Audits	105	93
Probity Audits	30	0
Advice & Control Awareness	64	64
West Yorkshire Pension Fund	170	171
Administration	93	96
Management: Plan Delivery	129	107
Management: Technical	9	21
Training	57	60
MK Insight	0	150
Management and Overheads	164	184
Non-BMDC Audit		
Contingency Provision	90	15
TOTAL PRODUCTIVE TIME	1854	1873

PLANNED AUDIT COVERAGE OF CORPORATE RISKS

CORPORATE RISKS	Audit Plan Year		
	2016-17	2017-18	2018-19
Maintenance of Business Continuity Capacity			X
Adults Safeguarding Incident	X		
Demographic Change			X
Educational Attainment		X	
Childrens' Safeguarding Incident			X
Environment and Sustainability		X	
Budget Pressure and Resource Constraints	X		
Information Security		X	
Governance Resilience	X		
Partnership Delivery		X	
Delivery of Skills and Training Priority			X
Quality Accessible and Affordable Housing	X		
Public Health Priorities		X	
Health Management			X
Regeneration and Investment attraction into the District	X		
Maintenance of Cohesive Communities		X	

FUNDAMENTAL SYSTEMS – 3 YEAR CYCLE OF DETAILED COVERAGE

Fundamental System	AUDIT PLAN YEAR		
	2016-17	2017-18	2018-19
Council Tax/NNDR			
Valuation/Billing/Liability		x	
Collection/Recovery/ Refunds/Write offs			x
Enforcement (all revenue streams)	x		
Benefits			
Payments	x		
Overpayments			x
Exempt Accommodation			x
Discretionary Benefits		x	
Accounts Receivable			
Invoicing		x	
Collection/Recovery & Write offs			x
Credit notes			x
Enforcement (all revenue streams)	x		
Procure to Pay/Procurement			
Requisitioning/Ordering/Receipting			x
Payments including feeder files and miscellaneous Payments	x		
Supplier database maintenance	x		
Procurement Processes (Quotes, Tenders, Contract Award)	x		
Third Sector Contracts			x
Purchase Cards			x
Compliance with Corporate Contracts & Frameworks		x	
Awarding of Corporate Contracts & Frameworks			x
Agency Staff / Consultants		x	
Payroll			
Starters*		x	x
Leavers*		x	x
Payroll Processing		x	
Temporary and Permanent Variations	x		
Expenses/Allowances	x		
Statutory Payments (Maternity etc)	x		
External Payroll Provision	x		
* alternate between Schools and Council			

FUNDAMENTAL SYSTEMS – 3 YEAR CYCLE OF DETAILED COVERAGE
Audits Deferred and Deleted from the 2016/17 Plan (and 2017/18 Plan)

AUDIT PLAN YEAR			
Fundamental System	2016-17	2017-18	2018-19
Cash, Banking, Investments and Loans			
Cash collection & Banking	x		x
Cash purchasing	x		
Bank reconciliation/unallocated cash	x	x	x
Investments and Loans		x	
General Ledger & Budgetary control			
Budgetary control (linked to strategic risk 16/17)	x		
Journals/virements/amendments/feeder systems/suspense accounts/coding structure		x	
Capital			
Accuracy of Asset Management register (CAFM): Revaluations, additions and disposals	x		x
Capital Programme			x
Capital accounting	x		
Capital Schemes	x	x	x
BSF/PFI Schemes		x	

CORE DEPARTMENT SYSTEMS INCLUDING SCHOOLS – 3 YEAR PLANNED COVERAGE

	CORE DEPARTMENT SYSTEMS INCLUDING SCHOOLS	Audit Plan Year		
		2016-17	2017 - 18	2018 - 19
Adults Services	Continuing Healthcare	x		
	Resource Allocation System	x		
	Direct Payments (c£5.4m 14/15 budget)	x		
	Individual Service Funds			x
	S117 Mental Health		x	
	Better Care Fund		x	
	Supporting People/Housing Related Support			x
	Homecare income from client (£5.7m income)		x	
	BACES (£2.5m gross exp)			x
	Residential homes site reviews (£6.3m gross exp)			x
	Purchased care inc ContrOCC – Older People (£28m)/Learning Disabilities (£16m)/Mental Health (£5m)	x	x	x
	Strategic Commissioning (LD Contracts £22m)		x	
	Transitional Planning (cross cutting with Childrens)	x		
Children's Services	School Funding Allocation			x
	Payment of Fostering Fees and Allowances (£9.5m) - Reduction in fees and allowances etc agreed by Exec in 2015	x		
	(School) Transport Review – £13.5m spend. eligibility criteria change, service reconfiguration to deliver £4.9m savings in 16/17 & 17/18	x		x
	Transitional Planning (cross cutting with Adults)	x		
	Payment to OLA's and Private Providers (14/15 budget £6.4m)		x	
	Early Years Formula Funding (£40m)			x
Corporate	Risk Management			x
	Data Quality/Performance Management		x	
	Insurance (£2m premium & £4m costs p.a)	x		
	Member's Allowances		x	
	Corporate Fraud		x	
	Grants certification	x	x	x
	Grants to Voluntary Organisations (£10.3m 14/15 budget)	x		

APPENDIX D (Continued)

Environment & Sport	Waste Management (£13.2m exp in 14/15)		x	
	Trade Refuse and Recycling Income (£7.5m in 14/15)		x	
	Licensing (Taxis etc)	x		
	Civil Enforcement Parking/Fines & Summonses – (14/15 budget approx. £3m income) previous income issues identified		x	
	Transport incl vehicle repairs and maintenance, fuel recharge – c£10m has links with (school) transport review		x	
	Theatre Ticket Charges & Admissions (c£8m)		x	
	Artistes Fees Payments (c£7m)			x
	Cemeteries and Crematoria			x
Public Health	Review Elements of Public Health Service Delivery	x	x	x
Regeneration & Culture	Rents including miscellaneous, market and other rents			x
	Building Maintenance/ Services (c£28m in 14/15 budget).		x	
	School Catering (c£9m 14/15 budget possible review of electronic payment system)	x		
	Transport & Highways - c£3m budget in 14/15		x	
	Energy Management/Carbon Reduction/Utilities -14/15 budget in £6.8m		x	x
	Planning Applications and Building Regulations Fees - £3m income p.a	x		
	S106 and Community Infrastructure Levy		x	

COMPUTER AUDIT 3 YEAR AUDIT PLAN 2016-17 TO 2018-19

	2016-17	2017-18	2018-19
Infrastructure			x
Security		x	
Contingency Planning	x		
Accreditation and Standards			x
Applications		x	
E Government	x		

Audits Deferred and Deleted from the 2016/17 Plan (and 2017/18 Plan)

1. Deferrals - 2016/17 Plan

Audit	Deferred To	Rationale
Supporting People/Housing Related Support	18-19	Housing options reviewed in 15-16
Transport incl vehicle repairs, maintenance, fuel recharge	17-18	Links to ongoing transport review that audit are advising on
Other rents	18-19	Is part of Miscellaneous Rents that were audited in 15-16
Building Maintenance/Services	17-18	Last audited in 14-15
Homecare income from client	17-18	Capacity reasons/equalising Adults plan
Strategic Commissioning (LD Contracts)	17-18	Capacity reasons/equalising Adults plan
School Funding Allocation	18-19	Capacity reasons and impact of academisation may change audit priorities
BSF/PFI Schemes	17-18	Capacity reasons and future audit need requires clarification
Capital Programme	18-19	Capital programme and monitoring audit performed in 15-16
Members' Allowances	17-18	Capacity and materiality reasons
S106 and Community Infrastructure Levy	17-18	New system to be introduced in 17-18
Educational attainment strategic risk	17-18	Capacity reasons/equalising Corporate risk coverage

2. Deferrals - 2017/18 Plan

Audit	Deferred To	Rationale
BACES	18-19	Audited in 15-16
Early Years Formula Funding	18-19	Audited in 15-16
Demographic Change	18-19	Equalising Corporate risk coverage

3. Deletions – 2016/17 & 2017/18 Plans

Audit	Deleted From	Rationale
Payment to Independent Special Schools	16-17	Some duplicate audit coverage as considered in schools audit programme
Children's Centres	16-17	Number reducing
Land charges	16-17	Further analysis shows that 15-16 budget is £400k which is less than our £1m deminimis
Warden and Cleaning Services	16-17	Rationale for inclusion unknown probable input error
Regional Growth Fund	16-17	Audited by External Audit
Rental Payments (for buildings not owned by BMDC)	16-17	Rationalisation of corporate estate is significantly reducing rental payments
Schools themed audits	16-17 to 18-19	Drive towards all schools being out of LEA control reduces the need/benefit
Procurement Processes (Quotes, Tenders, Contract Award)	17-18 & 18-19	Frequency of audit excessive - revised from every year to once every three years
Partnership Agreements	17-18	Not an audit in itself but a control within Adult Services' audits
Bradford I/IT	17-18	Duplication covered within computer audit section of plan
Corporate Governance	17-18	Delete as duplicate entry with governance resilience strategic risk
Community Care Trust Contract	17-18	No longer require auditing
Affordable Housing/New Homes Bonus	17-18	Delete as duplicate entry with affordable housing strategic risk
Emergency Planning	18-19	Delete as duplicate entry with business continuity strategic risk
Benefit Appeals	18-19	Audit halted at planning stage as found that there was no new process to audit and very few appeals were being received, so no justification for the audit in 15/16 or subsequent years.

APPENDIX G

WYPF Plan 2016/17 to 2018/19			
	2016/17	2017/18	2018/19
Pensions Administration			
Local Government Scheme Contributions	X		X
New Pensions and Lump Sums – Death in Service, Post Retirement & Dependent Benefits	X		
New Pensions and Lump Sums – Ill Health Pensions			X
New Pensions and Lump Sums – Deferred Pensions		X	
New Pension and Lump Sums - Fire Service			X
Transfers Out		X	
Transfers In	X		
Pensioners Payroll			X
Purchase of Additional Pension	X		
Annual Benefit Statements	X		
WYPF ICT			X
Investments			
Equities	X	X	X
Direct Property	X		
UK Fixed and Index Linked Public and Corporate Bonds		X	
UK Unit Trusts (Property and Other)		X	
Fund of Hedge Funds		X	
UK and Overseas Private Equities			X
Global Bonds			X
Stock Lending		X	
Verification of Assets		X	
Cash Treasury Management (Short term Lending)	X	X	X
Compliance with the IAP Panel's Investment Decisions/Policies	X		
Annual Accounts Verification	X	X	X

Report of the Interim City Solicitor to the meeting of the Governance and Audit Committee to be held on 15 April 2016

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Subject:

Amendments to the Constitution

Summary statement:

This report provides members with details of the annual review of the Financial Regulations and Contracts Standing Orders Sections of the Council's Constitution and makes recommendations for their amendment.

Meic Sullivan-Gould
Interim City Solicitor

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Portfolio:

**Leader
Overview & Scrutiny Area:**

Corporate



1. Summary

- 1.1 This report provides members with details of the annual review of the Financial Regulations and Contracts Standing Orders Sections of the Council's Constitution and makes recommendations for their amendment.

2. Background

- 2.1. During the municipal year 2015/16, Finance Officers have undertaken their annual review of Financial Regulations to ensure they properly reflect appropriate governance procedures for the Council. This report sets out the proposals for amendments to deliver those changes and improvements. The Committee is asked to consider the proposed amendments to the Constitution for recommendation to Council for formal approval on the 17 May 2016 and seeks delegated authority to the City Solicitor to implement the proposed amendments.

3. Amendments to the Financial Sections of the Constitution

- 3.1 There are only minor changes to Financial Regulations. These have been annotated on Appendix 1, which highlights the changes to financial regulations.
- 3.2 Contract Standing Orders were substantially re-written in 2015 following the publication of new public contract regulations in February 2015. Twelve months on, a relatively small number of amendments are proposed to improve clarity on the policy and procedures for both procurement and contracting. Consultation with key stakeholders is still on-going.

Below is a list of the main changes that are proposed:

- The glossary of main terms will be updated to reflect new terminology
- Dynamic Purchasing Systems are added to the list of procurement options
- Further clarity on how to apply exceptions to using in-house services for contracts with a value over £100,000.
- Mandating use of Council's electronic procurement portal, Yortender, for contracts with a value greater than £5,000 where a quote or tender is required.
- Mandating use of procurement risk assessment form for all contracts over £100,000. The form also acts as a checklist of key pre-contracting requirements.
- Links to bradnet included and more references to requirements to publish contract details.

- Information on novation of contracts
- Simplification of advice on contract award process
- Addition of “easy to use” table to assist officers identify available procurement options based on contract value.

The aim is to improve overall control of procurement so that the law is followed, value for money obtained and exceptions are properly authorised. The effect of these on contract standing orders is shown as tracked changes in Appendix 2.

4. Financial and Resource Appraisal

- 4.1 The resources required to amend the Constitution can be met from existing provision.

5. Legal Appraisal

- 5.1 Article 17 of the Constitution requires the Monitoring Officer to take steps to make himself/herself aware of the strengths and weaknesses of the Constitution and make recommendations for improvement.
- 5.2 The review and development of the Constitution is undertaken in compliance with the provisions of the Local Government Act 2000, regulations and guidance made and issued under the Act.

6. Other implications

- 6.1 There are no equal rights, sustainability, community safety, Human Rights Act or trade union implications of this report.

7. Not for publication documents

- 7.1 None

8. Recommendations

- 8.1 That the Governance and Audit Committee consider the proposed amendments to the Constitution listed in Appendices 1 and 2 attached to this report and consider which, if any, should be recommended to Council for adoption and implementation.
- 8.2 That the Interim City Solicitor reports any recommendations to Council and ensures the agreed amendments are implemented.
- 8.3 That the Interim City Solicitor be granted delegated authority to make consequential amendments to the Constitution as a result of the recommendations approved by Full Council.

12. Appendices

Appendix 1 - Draft amendments to Financial Regulations.

Appendix 2 - Draft amendments to Contract Standing Orders.

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PART 3F Financial Regulations

GENERAL

1 Application

- 1.1 These Financial Regulations are made in accordance with the provisions of section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2003 and subsequent amendments to provide for the proper administration of the Council's financial affairs. The Director of Finance has overall responsibility for this administration. More detailed guidance is contained in Financial Advice Notes and other procedures issued by the Director of Finance.
- 1.2 In these Financial Regulations "Appropriate Officer" means the Chief Executive, Strategic Directors, Directors, City Solicitor or any other officer designated by resolution of the Executive.
- 1.3 In these Financial Regulations "Appropriate Member" for the purposes of paragraph 16.4.2 means the portfolio holder for the service area required to comply with the Financial Regulations and the Ward members where the proposed expenditure has implications for a specific Ward.
- 1.4 These Regulations state the principles of financial control and administration, which must be followed by all officers of the Council. Failure to comply with these Financial Regulations may result in disciplinary action against the officer(s) concerned. Appropriate Officers must certify annually their compliance with internal controls.
- 1.5 In applying these Financial Regulations, all officers shall have regard to the duty of Best Value under the Local Government Act 1999.
- 1.6 The Governance and Audit Committee may alter these Financial Regulations on the recommendation of the Director of Finance.
- 1.7 The Director of Finance may allow specific exceptions to these Financial Regulations where in his/her opinion it is in the Council's interest. The Director of Finance must keep a record of these exceptions and report these to the Governance and Audit Committee on an annual basis.
- 1.8 The Director of Finance can alter the financial limits in these regulations because of changes in the value of money. S/he must report any alterations to the next meeting of the Governance and Audit Committee.
- 1.9 All amounts quoted in these Financial Regulations refer to values excluding Value Added Tax.
- 1.10 In applying these Financial Regulations, all officers shall comply with the Budget and Policy Framework Procedure Rules set out in Part 3C of the

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Constitution and implement the specific further requirements and best practice advice provided by the Director of Finance.

FINANCIAL CONTROLS AND PROCEDURES

2 Accounting Control

- 2.1 The Director of Finance is responsible for approving and controlling the Council-wide accounting and financial systems. Appropriate Officers must comply with these accounting and financial systems.

3 Audit Arrangements

- 3.1 The Director of Finance must monitor, review and report on:
- 3.1.1 The soundness and adequacy of financial management control systems and how they are implemented.
 - 3.1.2 How far established policies, plans and procedures are complied with and the financial effect.
 - 3.1.3 How far assets, resources and interests are accounted for and safeguarded from losses due to fraudulent offences, waste, extravagance and inefficiency.
- 3.2 S/he can visit all premises to see cash, stores and other property. S/he has access to any documents and all other data sources s/he thinks necessary. S/he can ask any officer for any information and explanations s/he thinks necessary and may produce a report. The officer concerned then has two months to respond to the report detailing the intended action to be taken on the report's recommendations. The Appropriate Officers are responsible for appropriate procedures being in place to ensure that the intended action has been implemented. The Director of Finance must take to the Governance and Audit Committee the Annual Internal Audit Plan, the Annual Internal Audit Report and any other report relevant to Internal Audit. The Director of Finance must inform the Governance and Audit Committee every year about any replies to reports which are still outstanding.
- 3.3 If any officer suspects or knows of any losses or irregularities concerning cash, property, stores or other financial matters s/he must inform the Corporate Fraud Unit at once and discuss action to take. The Director of Finance must report serious losses and irregularities to the Governance and Audit Committee.

4 Statement of Accounts

4.1 Each year the Director of Finance must produce to the Executive an outturn report for the previous financial year showing income and expenditure on both capital and revenue account compared against estimates.

4.2 Each year the Director of Finance must produce the Council's Statement of Accounts (which shall include the Annual Governance Statement) and submit them to the Governance and Audit Committee.

5 Payments to Staff

5.1 Appropriate Officers are responsible for arrangements for paying employees in accordance with rules issued and systems established by the Director of Finance.

5.2 The Appropriate Officer is responsible for the accuracy of all information passed to the Director of Finance that is used for making payments to staff and the Director of Finance is responsible for the accuracy of payments made in accordance with information received.

5.3 Appropriate Officers or their nominees should maintain an up to date signatory list of all officers approved by them to manually authorise all payroll and related documents.

5.4 Appropriate Officers or their nominees should authorise staff who can have Chief Position status on MSS. Only staff with Chief Position status can authorise electronic payroll and related documents including starters and leavers for their staff.

6 Banking Arrangements

6.1 The Director of Finance controls the Council's bank and giro accounts and is responsible for all procedures.

6.2 All cheques, giros, promissory notes and any other financial instruments and other orders for payment can be signed only by the Director of Finance or other officers authorised by her/him.

7 Borrowing and Credit Arrangements

7.1 The Chief Executive and Director of Finance exclusively can negotiate loans to the Council.

7.2 Appropriate Officers must consult the Director of Finance before entering into any property lease, finance lease or other contract for the use of an asset which may be deemed a credit arrangement and controlled under Sections 7 and 8 of the Local Government Act 2003.

8 Investments

- 8.1 The Chief Executive and Director of Finance exclusively can make investments. S/he must put them under the name of the Council and/or the appropriate Trust Fund. Investments can include loans made, to for profit and not for profit organisations providing the purpose of the loan is consistent with the Council's priorities.

9 Treasury Management

- 9.1 The Treasury Management function shall be carried out by the Director of Finance in accordance with the Code of Practice on Treasury Management in the Public Service produced by CIPFA and in accordance with the Treasury Policy Statement and Treasury Management Practices/Schedules approved by the Governance and Audit Committee.
- 9.2 All Council money (excluding cash controlled by schools under delegated budgets) shall be under the control of the Director of Finance.
- 9.3 All operational decisions on borrowing, investment or financing (except for schools under delegated budgets) shall be made by the Director of Finance or officers nominated under the Scheme of Delegation contained in the Treasury Management Practices/Schedules.
- 9.4 Each year the Director of Finance shall present to Governance and Audit Committee the following reports on Treasury:
- 9.4.1 A Treasury Strategy for Borrowing and Annual Investment Strategy which subsequently will also be presented to Council.
- 9.4.2 An Annual Investment Report on Treasury for the preceding year

10 Value Added Tax

- 10.1 Appropriate Officers must fully consider and take into account the VAT implications of all policy decisions.
- 10.2 Where a capital project is proposed which involves expenditure in any of the VAT exempt activity areas Appropriate Officers must:
- 10.2.1 Ensure that the VAT implications are taken into account during the planning stage.
- 10.2.2 Liaise with the Director of Finance on any capital proposals which may have exempt implications; and
- 10.2.3 Ensure that any report to members states that the VAT exempt implications have been considered within the financial implications section of the report.

10.3 Any proposal to change the method by which a service is provided should be notified to the Director of Finance.

11 Partnerships, Joint Ventures and Companies in which the Council is a Guarantor or has a Share Holding Interest

11.1 Where it is proposed that the Council be involved in a partnership arrangement or a joint venture or where the Council is to be a guarantor of a company limited by guarantee or a shareholder of a company, the Appropriate Officer shall first consult with the Director of Finance and City Solicitor on the proposals, and shall agree arrangements to provide for the effective monitoring in each case of the arrangement, Joint Venture or company operation.

11.2 This Regulation does not apply to investments under Regulation 9 or pension fund investments under Regulation 34.

PROCUREMENT OF GOODS, WORKS AND SERVICES

12 Contract Standing Orders

12.1 Any officer of the Council who is either responsible for, or undertakes, procurement of goods, works and services on behalf of the Council, or behalf of any other body for whom the Council acts, must follow the procurement regulations set out in the Council's Contract Standing Orders.

EXPENDITURE REQUIREMENTS

13 Expenditure Limits

13.1 Appropriate Officers may spend up to the total budgeted resources for their services in the most efficient and cost effective manner and deploy those resources flexibly in order to meet the objectives and policies for those services as approved in the Council's budget and policy framework, provided that:

13.1.1 Budget for capital charges and/or statutory charges may not be vired for other purposes.

13.1.2 Portfolio holders are consulted before the Appropriate Officer transfers resources under their delegated control but between Portfolio Holders' remits.

13.1.3 Requests for virement of revenue over £100,000 from the control of one Appropriate Officer to another are to be approved by Council unless agreed by all three leaders of the three largest political groups represented on the Council.

- 13.2 Where a request for virement of revenue over £100,000 is approved in accordance with Standing Order 13.1.3 above the officer seeking approval will notify all elected members of Council of that approval within 5 working days.
- 13.3 The Director of Finance will report all approvals given under Standing Order 13.1.3 to the Executive, as part of the Quarterly Financial Report.
- 13.4 Appropriate Officers are responsible for all expenditure incurred.
- 13.5 Appropriate Officers may make variations within their total budget but where any such variations will have a financial impact on another Council department they must consult with the department concerned.
- 13.6 Appropriate Officers shall not incur expenditure beyond the total budgeted provision, nor make commitments or variations in staffing levels which would lead to increases in expenditure in future years beyond approved limits. Appropriate Officers must inform the Director of Finance immediately if it appears to them that the total expenditure incurred by their services (including expenditure they propose to incur) is likely to exceed the approved budget.

14 Better Use of Budget

- 14.1 In order for Appropriate Officers to manage their budgets more effectively, they may:
 - 14.1.1 Underspend their allocation and carry the balance forward to the following year, or,
 - 14.1.2 Overspend their allocation and deduct the amount overspent from the following year's budget, provided that by carrying a balance forward this would not create an overspending in the following year.
- 14.2 Any action taken under paragraph 14.1.1 or 14.1.2 above must be agreed with the Director of Finance.

15 Procure to Pay and Miscellaneous Payments

- 15.1 Appropriate Officers, or their nominees, are responsible for authorising purchases or miscellaneous payments, and should ensure that either of these is necessary and that there is a budget on the correct financial code to cover such expenditure, before giving approval.
- 15.2 Appropriate Officers should ensure that staff and managers responsible for purchasing goods, services and works are properly trained to follow the procure to pay process and to use SAP Procure to Pay.
- 15.3 Officers who have been delegated responsibility for buying goods, services or works as part of their duties, are responsible for following the procure to pay

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process properly. This includes ensuring that the Council's requirements are clearly articulated to the supplier or contractor (on the purchase order), that expenditure is correctly coded and that contracted suppliers are used where possible.

- 15.4 Appropriate Officers should review and document the access that is given to staff and managers to the SAP Procure to Pay system at least on an annual basis to ensure it is up to date.

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CAPITAL EXPENDITURE

16 Expenditure Arrangements

- 16.1 Appropriate Officers shall ensure that the potential effects of capital expenditure on the Council's VAT position are properly considered in accordance with Regulation 10.

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- 16.2 All Capital Investment proposals must be supported by a business case approved by both the Project Appraisal Group and the Portfolio Holder. These proposals must be evaluated in terms of value for money risk, deliverability and fit within the overall Capital Programme. Only proposals with approved business cases can be included in the Capital Plan.

- 16.3 Appropriate Officers shall ensure that every scheme involving capital expenditure is approved for inclusion in the Capital Investment Plan before any commitment is made, and in this respect:

16.3.1 Schemes to be financed from an approved revenue budget or to be fully financed from capital grant may be approved by the Director of Finance, and

16.3.2 All schemes other than those approved by the Director of Finance in accordance with 16.3.1 must be agreed by the Project Appraisal Group before submission to the Executive for approval.

- 16.4 Appropriate Officers shall ensure that:

16.4.1 The scheme is designed and specified within the approved costs in the Capital Investment Plan (which will be shown at outturn prices) in consultation with the Director Finance where appropriate.

16.4.2 Appropriate Members are consulted on plans and detailed estimates for schemes over £75,000.

16.4.3 Where appropriate, Government or any other source of external funding approvals have been received.

16.4.4 The tender to be accepted does not exceed the technical officer's estimate of the tender price (as reflected in the Capital Investment Plan) by more than:

16.4.4.1 10% or £100,000, whichever is the lesser, for schemes costing over £75,000.

16.4.4.2 15% or £7,500, whichever is the lesser for schemes costing £75,000 and below.

16.5 Appropriate Officers shall ensure compliance with all current policies on capital expenditure including the requirement to refer schemes (excluding schemes that are entirely funded by external grants) to the Executive immediately prior to entering into any completely new commitments. In addition Appropriate Officers shall be responsible for keeping both the appropriate Executive member with portfolio and the Director of Finance advised of schemes; and shall ensure that the resultant revenue consequences of a capital scheme can be financed within their approved revenue budget.

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17 Monitoring the Capital Investment Plan

17.1 Each Appropriate Officer must ensure that annual spending on capital schemes does not exceed the approved cost.

17.2 Once a scheme has started an Appropriate Officer must report to the Executive at the point at which it becomes apparent that the cost of a capital scheme will exceed the approved figure in the Capital Investment Plan by more than the amounts referred to in 16.4.4.

17.3 Additional works to an approved scheme beyond the original scheme proposals exceeding the approved figure in the Capital Investment Plan may only be authorised by the Executive.

17.4 Where the approved cost of schemes is reliant on funding from specific resources such as supplementary credit approvals and grants, Appropriate Officers must secure the funding before entering into commitments.

17.5 Capital expenditure and funding form part of the financial monitoring reports prepared for the Executive which must include the benefits of investment. Each Appropriate Officer will monitor capital spending and resources and provide information in accordance with the timetable and guidelines issued by the Director of Finance.

INCOME REQUIREMENTS

18 Income Arrangements

18.1 When the authority provides goods or discretionary services to bodies or individuals external to the Council, Appropriate Officers must ensure

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- 18.1.1 A sound business case is established
 - 18.1.2 The Council has legal authority to carry out the service
 - 18.1.3 All relevant financial, employment and legal aspects have been properly considered and
 - 18.1.4 The Council is not exposed to unreasonable or disproportionate financial or other risk
- 18.2 Appropriate Officers are responsible for arrangements for the collection, receipt, recording, banking and safe-keeping of all Council income in accordance with rules issued by the Director of Finance.
 - 18.3 Appropriate Officers are responsible for all arrangements for credit facilities and accounting for doubtful debts in accordance with rules issued by the Director of Finance. The Council's Accounts Receivable System must be used for the recording and collection of credit income due and the recovery of all outstanding debt unless other arrangements have been agreed with the Director of Finance. Arrangements whereby customers self-bill should not be entered into.
 - 18.4 All contracts where the Council agrees to provide a service for a fee must be in writing and state the services to be provided, the price to be paid, the payment agreement and the time within which the contract is to be performed.
 - 18.5 Credit notes must only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and once it is confirmed that the debt is not payable. Credit notes must be approved by the relevant Appropriate Officer or their nominated Senior Officers before they are raised.
 - 18.6 The Director of Finance must approve the writing-off of debts and other losses except where s/he has specified the level of small value debts below £100 for which Appropriate Officers can give approval. S/he may also nominate senior officers within his/her department to approve write-offs.

19 Prevention of Money Laundering

- 19.1 In accordance with the Money Laundering Regulations 2007, the Council will not accept cash payments in excess of €15,000. For practical purposes, this limit is set at £9,000 subject to Financial Regulation 1.8.
- 19.2 All officers must adhere to guidance issued by the Director of Finance on compliance with Money Laundering Regulations

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20 Review of Fees, Charges and Concessions

- 20.1 The introduction of any fee, charge or concession, or removal of any subsidy must be approved by the Executive unless it is required by legislation or is in accordance with approved policy or strategy.
- 20.2 The Appropriate Officer must review fees charges and concessions annually; including circumstances where there is a legal power to charge but no charge is currently applied.
- 20.3 The annual review must have regard to relevant policies and strategies, cost of service and budget implications and inflation. In particular where there is a requirement for a service to break even or to generate a surplus, the review must have regard to this requirement.
- 20.4 Appropriate Officers may vary fees charges and concessions in line with inflation forecasts stated by the Director of Finance.
- 20.5 Proposed variations to fees, charges and concessions other than in line with inflation forecasts must be referred to the Executive, except that minor variations may be made by the Appropriate Officer after consultation with the appropriate Executive portfolio holder subject to any budgetary consequences being managed within existing service revenue budgets.

21 Grant Applications and Claims

- 21.1 Appropriate Officers are responsible for arrangements for the submission of grant applications to outside agencies, the certification of claims and the proper management of monies received in accordance with the Corporate Standard 3.
- 21.2 The Director of Finance must be informed of all grant applications in excess of £100,000 at the time of application; and the result of all such grant applications as soon as this is known.

MANAGEMENT OF ASSETS

22 Asset Register

- 22.1 The Strategic Director Regeneration and Culture will keep the asset register of the Council and will issue procedures for its maintenance and valuation.
- 22.2 Appropriate Officers must ensure that all assets which are used by or are the responsibility of their services are recorded in accordance with rules laid down by the Director of Finance and Strategic Director Regeneration and Culture. Appropriate Officers must supply such information to the Director of Finance and Strategic Director Regeneration and Culture as may be required by her/him from time to time.

23 Keeping Inventories and Stock Control

- 23.1 Appropriate Officers must keep inventories of equipment, plant and machinery in accordance with rules issued by the Director of Finance. Inventories must be regularly reviewed and all items physically checked at least annually.
- 23.2 Stock held for re-sale must be valued at the lower of cost or net realisable value. Where valuation on this basis would result in a reduction in the overall carrying value of the range of stock held at a particular establishment of more than 10%, the Director of Finance must be consulted as to the appropriateness of the valuation. Any stock losses should be dealt with under Financial Regulation 3.3.

24 Property Marking

- 24.1 Wherever possible, all portable and/or attractive equipment, plant and machinery that belongs to the Council must be visibly and permanently marked to show that it is the property of Bradford Council. In the case of new equipment the Appropriate Officer must first check to ensure that marking will not invalidate the warranty. Leased items will be marked as such where marking is acceptable to the Lessor.

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25 Control of Assets

- 25.1 Appropriate Officers are responsible for the safekeeping and proper use of all Council assets and other resources under their control.

26 Private Property

- 26.1 When an Appropriate Officer has to look after private property s/he must make a complete inventory of the property under her/his custody and make arrangement for its safekeeping.

27 Private Funds

- 27.1 Appropriate Officers must ensure that when an employee because of her/his job has to look after money that does not belong to the Council s/he must keep it separate from the Council's money and make arrangements for its recording and safekeeping.
- 27.2 A private fund can only be set up with the approval of an Appropriate Officer.
- 27.3 Private funds must be audited every year by two independent individuals or one CCAB qualified accountant. Copies of the audited accounts must be sent to the Appropriate Officer.
- 27.4 The Director of Finance can see all records and vouchers for private funds. S/he must be told of any funds which do not comply with all these requirements.

28 Land and Buildings

- 28.1 Appropriate Officers must consult with the Strategic Director Regeneration and Culture before acquiring or disposing of land or buildings by whatever means (purchase, sale, lease, tenancy or licence). The Strategic Director Regeneration and Culture shall ensure compliance with all relevant current legislation, policies and protocols
- 28.2 The Director of Finance shall be consulted on the annual asset disposal plan and will approve all asset disposals before contract exchange.

29 Disposal of Assets

- 29.1 When disposing of any other asset, Appropriate Officers must ensure the Council's Land and Property Disposal Policy and the Community Asset Transfer Policy is followed.

INFORMATION MANAGEMENT

30 Computer and Information Management

- 30.1 Appropriate Officers shall make adequate arrangements for the protection, identification, security, recording and proper use of all:
- 30.1.1 Computer hardware/software and associated technologies owned by or accessible to the Council.
 - 30.1.2 Council information systems, manual and electronic, including the control of access to premises where information is processed.
- 30.2 Appropriate Officers shall have regard to the provisions of the British Standard Code of Practice for Information Security Management (BS 7799) or any replacement thereof for the time being in force when considering the protection and security of personal, financial, sensitive and confidential information.
- 30.3 All officers must comply with the Council's guidelines relating to the use of computer hardware, software, related technologies, E-mail and the Internet.

INSURANCE ARRANGEMENTS

31 Insurance Cover

- 31.1 The Director of Finance will arrange all insurance cover and keep a record of details.

- 31.2 Appropriate Officers must immediately tell the Director of Finance about:
- 31.2.1 New risks to be insured.
 - 31.2.2 Alterations to existing insurance cover required.
 - 31.2.3 Insured Assets which have been disposed of.
- 31.3 Each year Appropriate Officers must check that insurance cover is adequate.

32 Insurance Claims

- 32.1 The Appropriate Officer, immediately s/he is aware of any loss, liability or damage which may involve a claim, must notify the Director of Finance who will negotiate and/or arrange settlement in accordance with any insurance arrangements made.

PENSION FUND

33 Pension Arrangements

- 33.1 The Governance and Audit Committee has legal and strategic responsibility for the West Yorkshire Pension Fund. The WYPF Joint Advisory Group and the WYPF Investment Advisory Panel have been established to support and assist the Governance and Audit Committee. All decisions of the Joint Advisory Group and the Investment Advisory Panel are reported to the Governance and Audit Committee.
- 33.2 The Director, West Yorkshire Pension Fund will control the management of the pension function in accordance with pension regulations and legislation, the decisions of the Joint Advisory Group, and the decisions of the Governance and Audit Committee.
- 33.3 The investment of the funds of the West Yorkshire Pension Fund shall be carried out by the Director, West Yorkshire Pension Fund in accordance with investment regulations, the decisions of the Investment Advisory Panel and the decisions of the Governance and Audit Committee. All investments shall be in the name of City of Bradford Metropolitan District Council on behalf of the West Yorkshire Pension Fund.
- 33.4 The Director of Finance is responsible for the preparation of the year end accounts for the West Yorkshire Pension Fund.

PUBLIC ACCOUNTABILITY REQUIREMENTS

34 Rules for Officers

- 34.1 An officer of the Council must not, in connection with her/his office of employment, accept any fee or reward whatsoever other than his/her proper remuneration.
- 34.2 An officer must not receive or give or offer any gift or bribe or personal inducements in connection with the Council's business.
- 34.3 An officer must not use Council property, assets or materials for other than the purposes of the Council. Permission of the Appropriate Officer must be sought for use of Council property, assets and materials for other purposes and such permission may only be given if it can be shown that such use is in the Council's interests.
- 34.4 An officer must not subordinate his/her duty to the Council to his/her private interests or put herself/himself in a position where her/his duty and private interests conflict.
- 34.5 If any officer suspects or knows of any financial loss or irregularity they must inform the Corporate Fraud Unit immediately.
- 34.6 An officer must comply with the Employee Code of Conduct.

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35 Cashing of Cheques

- 35.1 The cashing of personal cheques (whether drawn against the Council's bank account or any other) by any officer is prohibited except with the specific approval of the Director of Finance.

City of Bradford MDC

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Document History
Document source
The latest version of this document is available in the J:\Procurement\Procurement Standard Documents\Contract Standing Orders sub-folder within the shared area used by Commissioning & Procurement.
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CONTRACTS STANDING ORDERS (CSOs)

2016 / 2017

PART 3G Contracts Standing Orders 2016/17

Definitions

'Aggregation' is the combining together of the total contract value from separate contracts where they meet a single requirement for works, goods or services or where a series of contracts within a twelve month period are for the same type of goods or services.

- 'Authorised Officer' is any officer permitted by a Chief Officer to authorise orders and contracts as per clause 2.4
- 'Best Value for Money' is the optimum combination of whole life costs, quality and benefits, including economic, environmental and social value to meet the customer's requirement
- 'Bradford District' is the geographical area administered by the Council
- 'Chief Officer' is the Chief Executive, Strategic Directors, Director, City Solicitor or any other officer designated by resolution of the Executive.
- 'Contract' means a formal agreement between the Council and any Contractor made by issue of a letter of acceptance or official order for:
 - the supply of works, goods or services including consultants
 - a call-off from a framework agreement
 - an arrangement where no payment is made but there is financial value to the Contractor e.g. a catering concession

It does not include employment and property contracts or grant agreements

- 'Contracts Finder' is a portal for information on contracts over £10,000 with the government and its agencies <https://online.contractsfinder.businesslink.gov.uk/>
- 'Contract Value' is the total monetary value over its full duration, including any extension options (not the annual value)
- 'Contract and Grant Register' a record of all grants and contracts except one-off purchases under £5,000
- 'Contractor' an individual or organisation that contracts with the Council to provide works, goods or services
- 'Controlled Entities' a subsidiary company of the Council where the Council exercises control similar to that over its own departments, the subsidiary carries out at least 80% of its activity for the Council and there is no direct participation of private capital
- 'Corporate Contract' is an agreement procured in consultation and for the benefit of more than one Council department. More details can be found on bradnet <http://intranet.bradford.gov.uk/working-day/corporate-contracts>
- 'Council' means the local authority or City of Bradford Metropolitan District Council

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<#> 'Appropriate Officer' is the Chief Executive, Strategic Directors, Director, City Solicitor or any other officer designated by resolution of the Executive.¶
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- 'DPS or Dynamic Purchasing System' is an electronic process for commonly used purchases that are generally available and is open throughout the contract period to any new supplier that meets the selection criteria
- 'Electronic Auction' is a process whereby suppliers who have submitted admissible tenders can revise their original prices or values during the period of the auction
- 'EU Procurement Rules' are the Directions and Regulations implemented by the UK to set out the law on public procurement
- 'EU Thresholds' the financial threshold at which the EU Procurement rules are applicable.
 - As of 1st January 2016 these are: Works (maintenance and construction) €5,186,000 (£4,104,394) and Services and Supplies €207,000 (£164,176).
 - Social, Health and some other services will have a threshold of €750,000 (£589,148) and a new light touch regime has been introduced.
- 'Exception to Competition Log' a record of all contracts awarded without competition as a result of the contract meeting one of the requirements listed in CSO 10.1 now incorporated as separate fields in the Contract and Grant Register.
- 'Framework Agreement' an agreement which allows the Council to call-off from a Contractor to provide services, goods or works at agreed standards and prices. If the Council calls off services, goods or works from the Contractor then a binding contract comes into place.
- 'Grant' for the purposes of these contract standing orders means a formal agreement giving financial assistance to an individual or organisation to assist in meeting its general purpose or objectives but where the specific supply of goods, works or services is not required in return. There may be award criteria, performance targets and conditions on how the money is spent and Officers should monitor these in accordance with the terms of the grant agreement.
- 'Light touch regime' applies to social, health and some other services as listed in Schedule 3 of the Public Contracts Regulations where a higher threshold applies below which the Council has more freedom on the procurement procedures to apply providing they are sufficient to comply with the principles of transparency and equal treatment of suppliers.
- 'Local Supplier' is any supplier that provides works, goods or services from a location within the Bradford District or where a substantial number of any employees working directly on the contract are resident in the Bradford District.
- 'Officer' means employee(s) of the Council
- 'OJEU' is the Official Journal of the European Union which is the publication in which all tenders from the public sector above relevant financial thresholds must be published
- 'Procurement Risk Assessment Form' a form which evaluates the overall risk of the procurement by assessing the likely impact of the procurement in terms of key criteria such as: corporate priorities, equalities, community benefits, information security, complexity, timescale, value

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- 'Public Service Mutual' an organisation which has left the Council parent body but continues to deliver public services. Mutuals are organisations in which employee control plays a significant role in their operation.

'Quotation' a formal written offer to execute works, purchase supplies, or provide services at a stated price of a value less than £100k

- 'Sheltered workshop' an organisation that employs a proportion of disadvantaged or disabled workers which allows the supplier to be eligible to bid for certain types of contracts which can be specifically reserved to organisations meeting the criteria
- 'SIRO' Senior Information Risk Owner is the person with overall accountability and responsibility for information governance. Currently the Director of Finance
- 'Tender' a written offer to supply or purchase goods, execute works or provide services at a stated price of a value more than £100k
- 'TUPE' means the Transfer of Undertakings (Protection of Employment) Regulations 2006
- 'Whole Life-Cycle Costs' is an estimate of the total costs of works, goods or services over their life. It is a combination of the purchase price, implementation and operating costs, procurement and contract management costs, disposal costs less any residual value
- 'YORtender' is the procurement portal for the Yorkshire and Humber region. www.yortender.co.uk which must be used for obtaining quotes or tenders all contracts over £5,000.

1 Introduction

- 1.1 The purpose of Contract Standing Orders is to set clear rules by which the Council spends money on works, goods and services. The rules apply to any contract or grant that results in payment being made by the Council.
- 1.2 Public procurement must be undertaken in accordance with principles enshrined in EU and national legislation. The Council must always act to promote competition and to ensure that each procurement is conducted as an open, transparent and fair competition. The Council must avoid practices which may restrict or distort competition.
- 1.3 All amounts quoted in these Standing Orders are exclusive of recoverable VAT.
- 1.4 Any dispute or difference as to the interpretation of these Standing Orders shall be resolved by the City Solicitor.
- 1.5 The Assistant Director Commissioning & Procurement shall undertake a formal review of Contract Standing Orders on an annual basis which will be reported to the Governance and Audit Committee.

2. Compliance

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- 2.1 Every contract made by or on behalf of the Council for works, goods and services and all Council employees engaged to act in any capacity to manage or supervise a contract must comply with:-
- EU Procurement rules where applicable
 - All relevant statutory provisions including the Public Contracts Regulations 2015, competition law and Public Services Acts (e.g. Social Value, Care Act 2014)
 - The Council's Constitution including these Standing Orders, the Council's Financial Regulations and the Council's Procurement policies
 - The Council's strategic objectives and policies
- 2.2 All Council employees and organisations engaged on the Council's behalf shall ensure that all procurement activity is undertaken with regard to high standards of probity and in a manner which avoids any conflicts of interest. Any conflicts of interest that do arise shall be dealt with in accordance with the Council's '*Code of Practice in relation to Conflicts of interest and Registration of interests*' available from the Human Resources intranet pages.
- 2.3 In applying these Standing Orders, all officers shall have regard to the duty of Best Value under the Local Government Act 1999.
- 2.4 Within limits specified by him/her, a Chief Officer may permit other officers to authorise orders and contracts in their own names on behalf of the Council. Any orders or contracts made shall remain the responsibility of a Chief Officer. Chief Officers must maintain an up to date record of authorised officers.
- 2.5 All orders for works, goods or services must be placed using the Council's approved systems in advance of the invoice being received and coded to the appropriate account codes. Miscellaneous payments must only be used where the payments not as a result of a purchase. For example, a refund, grant payment or third party party payment.
- 2.6 With regard to new major projects all officers must comply with the approved Project Management Framework documents.
- 2.7 Exemption from these Standing Orders shall only be awarded in exceptional circumstances and following authorisation by either:
- 2.7.1 The Executive after considering a report by a Chief Officer; or
- 2.7.2 A Chief Officer obtains the agreement of the Director of Finance and the City Solicitor. A Chief Officer must retain written reasons of the decision.
- 2.8 Exemptions authorised under Standing Order 2.7.2 will be reported to Governance and Audit Committee on a quarterly basis.
- 2.9 All Chief Officers are responsible for ensuring compliance by their staff and shall report all breaches to the Assistant Director of Commissioning and Procurement.
- 2.10 Failure to comply with these Contract Standing Orders and the Commissioning Framework may result in disciplinary action against the officers concerned.

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3 Social, Economic, Environmental and Ethical Considerations

- 3.1 In formulating proposals for a services contract, the Authorised Officer must consider the Public Services (Social Value) Act implications and whether and to what extent any ethical, social or environmental aspects of procurement should be taken into account. These would include: the Council's Fair Trade Policy, sustainability, equality and diversity, living wage, means of production and community benefit (including maximising employment and training opportunities within the District).
- 3.2 Where appropriate and always subject to EU law and Public Contract Regulations, the Authorised Officer should ensure tenders or quotes are framed in such a way to encourage local suppliers, small and medium sized companies (SME's) and third sector organisations such as social enterprises to bid. This includes dividing the contract into lots.

4 Pre-Contract Requirements for all Contracts

- 4.1 The procurement of works, goods or services should be done through existing approved arrangements where they exist. These include:
- In-house provision
 - Corporate contracts, framework agreements or DPS
- 4.2 Other arrangements should be considered and used where it can be evidenced that they provide best value for money:
- Contracts, framework agreements or DPS established by central purchasing bodies (Crown Commercial Services, YPO etc.)
 - Collaborative or shared service arrangements with another public body
 - Alternative delivery vehicles such as Controlled Entities (Teckal) or Public Service Mutuals
 - Sheltered workshops
 - Other approved e-procurement solutions (e.g. purchasing cards)
- 4.3 Where the Council has an in-house provision and the estimated contract value is less than £100,000, external suppliers can only be used when the Strategic Director providing such in-house provision confirms that they are unable to meet the requirements on that occasion due to insufficient resources, skills or capacity.
- 4.4 If the estimated contract value is more than £100,000, the Strategic Director providing such in-house service may also be required to clearly demonstrate that they provide best value for money.
- 4.5 In the event that the Strategic Director providing such in-house provision is able to sub-contract the works, goods or services to an external supplier, they must obtain the agreement of the Strategic Director requiring the works, goods or services before doing so.
- 4.6 All procurement processes will be proportionate to the total value of the contract (see Table 1), the nature of the works, goods or services and the Council will produce clear accessible documentation which must be available in electronic format.
- 4.7 Before inviting tenders or quotations, the Authorised Officer must:

- 4.7.1 for contracts with a total estimated contract value in excess of £2m, report details to the relevant Overview and Scrutiny Committee using the agreed pre-contract reporting process determined by the Assistant Director of Commissioning & Procurement
- 4.7.2 have carried out, where appropriate pre-procurement engagement with the market (including talking to suppliers, clients and other stakeholders) to understand the availability, strengths and weaknesses of markets and to develop the specification and the best value for money procurement and contractual approach. Pre-engagement with the market must be done in such a way that ensures the subsequent procurement process remains open, fair and transparent with no supplier gaining an unfair advantage which would distort competition.
- 4.7.3 consider whether a framework agreement, DPS or electronic auction is appropriate and would deliver best value for money seeking advice from the Assistant Director of Commissioning and Procurement where necessary
- 4.7.4 divide the contract into separate lots or indicate in the procurement document the main reasons why this would not provide value for money
- 4.7.5 be satisfied that a written and clear specification has been prepared which will form the basis of the contract.
- 4.7.6 where there is a significant supply risk and for all contracts valued over £100,000, complete a procurement risk assessment form (held by Commissioning and Procurement) and produce and maintain a documented risk log
- 4.7.7 consider at the outset any equality and diversity implications that may require an equality impact assessment to be undertaken
- 4.7.8 consider at the outset any TUPE implications
- 4.7.9 consider at the outset any data protection, information security or data processing implications that may require additional schedules or terms and conditions and need the SIRO to be notified
- 4.7.10 consider at the outset any implications from the Social Value Act
- 4.7.11 prepare and document an estimate of the whole life-cycle costs including where appropriate any on-going costs and/or disposal costs and ensure that the cost is within the approved current and future budget provision for both capital and revenue expenditure
- 4.7.12 ensure that all evaluation criteria including sub-criteria have been determined in advance, put in order of relative importance or weighting and published in the tender documentation. This includes any selection criteria used to evaluate the supplier and award criteria used to evaluate the tender or quote.

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4.7.13 ensure that electronic versions of all the appropriate and approved forms of procurement documentation is available through an internet portal immediately on publication of any advert

4.8 Before entering into any contract, the Authorised Officer must

4.8.1 be sure that they have the necessary authority to enter into the contract and that these Standing Orders, the Council's Financial Regulations and procurement advice have been complied with, and that the proposed contract represents best value for money

4.8.2 be satisfied about the technical capability of such proposed contractor; and

4.8.3 where there is a significant supply risk and all contracts which exceed £100,000, consult with the Director of Finance and the Assistant Director of Commissioning and Procurement to agree appropriate checks on the financial and resource capacity of the contractor to perform the contract and to agree what, if any, security should be provided for performing the contract. Forms of security include such as: parent company guarantee, Director's guarantee and performance bonds.

4.9 Authorised Officers are responsible for arrangements to ensure the proper control and use of Council ordering and contracting procedures, in accordance with guidance issued by the Director of Finance and City Solicitor.

4.10 All quotations and tenders must be undertaken using the Council's standard template documentation unless prior approval has been obtained from the Assistant Director of Commissioning and Procurement

5 Selective Tendering From Approved Lists

5.1 Selective tendering from an approved list does not comply with the new regulations when inviting bids for a total contract value over £25,000 and must not be used.

6 Contracts under £25,000

6.1 For contracts valued at below £25,000, there are minimal competition requirements and the Authorised Officer concerned should proceed in a manner to enable the most efficient management of the service but must use a local supplier where the supply base is available.

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6.2 The Authorised Officer must be able to demonstrate best value for money and may invite quotes using local suppliers only where the supply base is available. All quotations must be in writing.

6.3 Officers shall retain a written record of actions taken and the reasons.

6.4 Invitations to quote over £5,000 must use the Council's procurement portal, Yortender and all contracts over £5,000 must be recorded on the Contract and Grant Register.

7 Contracts between £25,000 and £100,000

7.1 The Authorised Officer must seek at least 4 written quotations or advertise an invitation to tender for a proposed contract of an estimated contract value of over £25,000 and up to £100,000 inviting a minimum of two local suppliers where the supply base is available. All invitations to quote or invitations to tender for contracts must use the Council's procurement portal, YORtender and also Contracts Finder. A record must be kept of the reasons for accepting a quotation or tender.

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7.2 If 4 quotations or tenders cannot be obtained owing to insufficient suitable suppliers prepared to quote or provide tenders, then the Authorised Officer must keep a record of this.

7.3 No pre-qualification questionnaire is permitted during the procurement stage under the EU threshold but suitable assessment questions which are relevant and proportionate may be asked. Only the winning bidder(s) will be required to submit certificates and documents as evidence of their legal and financial standing and technical or professional ability in addition to specific requirements relating to insurance, health and safety, equality, environmental management etc.

8 Contracts over £100,000

8.1 Where the contract value is likely to exceed the EU threshold, taking account of the rules of aggregation, it must be tendered in accordance with the relevant EU procurement rules. The exception to this rule is through an existing framework or DPS agreement that has been established via a compliant EU procurement process.

8.2. Before commencing any process for the procurement of works, goods or services with an estimated contract value in excess of £100,000 or any process which involves a proposed service transfer or the development of a strategic partnership, the Authorised Officer must consult the Assistant Director of Commissioning and Procurement.

8.3 For contract values of £100,000 or more, contractors must be appointed by one of the procedures under Contract Standing Order 9

8.4 All tenders shall be advertised and available for download on the YORtender system and Contracts Finder. Standard template documentation must be used

8.5 All tenders above the relevant EU threshold must be advertised in the OJEU.

9 Procurement Procedures

9.1 The **open procedure** under which all those interested may respond to the advertisement by submitting a tender. This is often the most expedient system and enables all of the suppliers in the market that wish to engage in the process to submit a tender. There is no pre-qualification questionnaire (PQQ) or short-listing stage prior to invitation to tender (ITT).

9.2 The **restricted procedure** under which a selection is made of those who respond to the advertisement and only they are invited to submit a tender. This procedure can only be used for tenders above the EU threshold for goods and services. For clarity this procedure can be used for works contracts above the EU threshold for goods and services but below the EU threshold for works.

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- 9.3 The **competitive dialogue procedure** under which a selection is made of those who respond to the advertisement and the Council enters into dialogue with potential bidders to develop one or more suitable solutions on which the chosen bidders submit a tender. This can be used where the contract is complex and cannot be purchased “off the shelf”
- 9.4 The **competitive procedure with negotiation** under which a selection is made of those who respond to the advertisement and only they are invited to submit a tender. The Council may then open negotiations to seek improved offers. This applies to more strategic, complex or high value projects and must be done in consultation with the Assistant Director Commissioning and Procurement as there are limited circumstances under which this process can be used.
- 9.5 The **innovation partnership procedure** under which a selection is made of those who respond to the advertisement and the Council uses a negotiated approach to invite suppliers to submit innovative ideas to meet a need where there is no suitable existing “product” on the market. The partnership can be awarded to more than one supplier.
- 9.6 The Public Contracts Regulations contain both mandatory and discretionary grounds for exclusion of a supplier from the tender process which now includes previous poor performance. The time limits are five and three years respectively but if a supplier provides evidence to demonstrate its current reliability this must be evaluated in light of the seriousness of the misconduct and relevance of the exclusion criteria.

10 Exceptions to Requirements of Competition

- 10.1 Subject to the statutory requirements for procurement processes above EU thresholds, and provided that the market for a proposed contract has been investigated and it can be demonstrated that departure from these Rules is justifiable and provides overall value for money, no procurement process is required where one or more of the following exceptions apply:

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- 10.1.1 the purchase of proprietary or patented goods or materials or services which, in the opinion of the Authorised Officer, are obtainable only from one supplier, and where no reasonably satisfactory alternative is available;
- 10.1.2 the execution of works or the supply of goods or services are controlled by a statutory body
- 10.1.3 the execution of works or supply of goods or services are of a specialised nature which, in the opinion of the Authorised Officer, are carried out by only one supplier, and where no reasonably satisfactory alternative is available;
- 10.1.4 the execution of works or supply of goods or services for which the Authorised Officer can demonstrate that no genuine competition can be obtained;
- 10.1.5 the purchase of a named product required to be compatible with an existing installation as approved by the Authorised Officer;

- 10.1.6 procurements made through or on behalf of any consortium, local authority, statutory or similar body provided that tenders or quotations are invited and contracts placed in accordance with national or EU legislation;
- 10.1.7 obtaining work or supplies from the Industrial Services Group or other in-house service provider;
- 10.1.8 special education, health or social care contracts, if in the opinion of the Authorised Officer and following consultation with the Assistant Director of Commissioning and Procurement, it is considered in the Council's interests and to meet its obligations under relevant legislation;
- 10.1.9 the execution of works or the supply of goods and services that are required so urgently as not to permit compliance with the requirements of competition.
- 10.1.10 carrying out, with the approval of the Director of Finance, security works where the publication of documents or details in the tendering process could prejudice the security of the works to be done.

- 10.2 The Authorised Officer must retain written reasons justifying the decision to use Standing Order 10.1 and be able to demonstrate that best value for money has been obtained.
- 10.3 Any contract awarded using an exception to competition shall be notified to the Assistant Director Commissioning & Procurement and recorded in the "Exceptions to Competition Log".

11 Submitting and Opening Tenders and Quotations

- 11.1 Every invitation to tender or request for a quotation must state that a tender or quotation will only be considered if it is received by the specified closing date and time by the Council's approved-on-line electronic tender process or for quotes below £5,000 at the specified place in a sealed envelope with the word "QUOTATION" and the title of the contract written on it. The Authorised Officer must keep the envelopes received in secure custody.
- 11.2 All tenders or quotations for each contract must be opened together by two officers appointed by the Authorised Officer at a prescribed time.
- 11.3 The Authorised Officer must keep a record of all tenders and quotations.
- 11.4 The Authorised Officer must disqualify a tender or quotation which fails to comply with the requirements of this Standing Order and must return the tender or quotation to the tenderer or quotation provider stating the reason for the disqualification.

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Deleted: The specified location for the receipt of tenders over £100,000 is Room 113, City Hall. All such tenders or quotations will be opened in the presence of an officer from the staff of the City Solicitor and recorded. For tenders under £100,000 the Authorised Officer must designate the specified place for the receipt of tenders.

11.5

12 Errors in Tenders and Quotations

- 12.1 Prior to acceptance of any tender or quotation received, any arithmetic error or other minor discrepancy made in good faith can be corrected by the City Solicitor after consultation with the Authorised Officer in one of the following two ways:
- 12.1.1 The tenderer shall be given details of the error(s) found during the examination of the tender and shall also be given the opportunity of confirming without amendment or withdrawing the tender; or
 - 12.1.2 Amending the tender to correct genuine arithmetic error(s) provided that in this case, apart from these genuine arithmetic errors, no other adjustment, revision or qualification is permitted.
- 12.2 A written record must be kept of all such amendments

13 Post Tender and Quotation Negotiations

- 13.1 In the interests of ensuring an open, fair and transparent process, negotiation following receipt of tenders is only permissible in limited circumstances.
- 13.2 No negotiation must be undertaken following receipt of tenders where the tender was subject to EU procurement rules except where the “competitive procedure with negotiation” or “innovation partnership” has been used.
- 13.3 The Authorised Officer may, after consulting with the Assistant Director of Commissioning and Procurement, and where it is intended to obtain better value for money, authorise negotiations with one or more tenderers or quotation providers where s/he considers that none of the tenders or quotations are acceptable and it is in the Council’s interests to do so.
- 13.4 Negotiation on behalf of the Council should be conducted by two or more Authorised Officers and a written record kept of the negotiation.

14 Accepting Tenders and Quotations

- 14.1 Prior to accepting a tender or quotation the Authorised Officer must evaluate all tenders and quotations received in accordance with the evaluation criteria issued with the tender documentation.
- 14.2 The Authorised Officer can only accept the most economically advantageous tender or quotation using whole-life costs and must record the reasons for acceptance.
- 14.3 The Authorised Officer must investigate any tender considered to be abnormally low and disregard any bid based on approaches in breach of environmental or social law.
- 14.4 All suppliers who submit a tender or quotation should be notified in writing of their success or failure in a timely manner using the standard documents and offered feedback.

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- 14.5 For all tenders covered by the EU procurement rules, the minimum statutory standstill period is required between notification of the award decision and final contract award.
- 14.6 All contracts over £5,000 must be awarded on the YORtender system and all contracts over £25,000 must also be awarded on Contracts Finder. All contracts above the EU threshold must also be published in OJEU.
- 14.7 For every contract, framework or DPS agreement over the EU threshold, a written report must be retained which includes details of:
- the winning bid,
 - the suppliers involved,
 - results of any selection process,
 - the value and subject matter of the contract,
 - justification for using any negotiated type procedure,
 - any decision not to award,
 - reasons for not using electronic communications,
 - any conflict of interest,
 - reasons for rejecting abnormally low bids.

15 Contract Extensions, Variations or Novation

- 15.1 The Authorised Officer can extend a contract by any value subject to the extension being permitted within the scope and terms of the original contract and before the expiry date.
- 15.2 An options appraisal must be undertaken to determine if it represents best value for money to extend the contract and any approval required must be sought in a timely manner
- 15.3 The Authorised Officer must make every effort to negotiate improved terms with regard to the cost and quality of the goods or services.
- 15.4 No extension shall be made until funding has been secured in accordance with the Council's Financial Regulations or any other similar requirement.
- 15.5 All contract variations must be carried out within the scope of the original contract and must not materially affect or change the contract.
- 15.6 A new procurement will be required if the proposed variation has a material change where one or more of the following are met;
- 15.6.1 the variation introduces new conditions which had they been part of the original procurement procedure would have allowed other candidates to be selected to bid or the contract to be awarded to another tenderer
- 15.6.2 the variation changes the economic balance in favour of the contractor
- 15.6.3 the variation extends the scope of the contract considerably
- 15.7 Contract variations which are not within the scope of the original contract are also permitted where:

- 15.7.1 additional works, goods or services are required and a change of contractor cannot be made for economic or technical reasons or would cause significant operational disruption
- 15.7.2 the variation could not have been foreseen and does not alter the overall nature of the contract
- 15.7.2 any increase in price is still within the financial threshold of the original procurement and does not exceed 50% of the initial contract value

15.8 In the event that a Supplier ceases to provide the work, goods or services whether as a result of insolvency, company restructuring, company purchase, termination of the contract or any other reason then the Authorised Officer must consult with the Assistant Director of Commissioning and Procurement before novating or assigning the contract to a new Supplier

16 Written Contracts

- 16.1 The Authorised Officer must ensure every contract is in writing.
- 16.2 Every contract with a contract value of £100,000 or more must be executed under seal as a Deed with the common seal of the Council by the City Solicitor where;
 - the Council wishes to enforce the Contract for more than 6 years after its end (e.g. for land or construction works); or
 - it is required by parties to the Contract; or
 - the price paid or received under the Contract is a nominal price and does not reflect the value of the goods/services; or
 - the City Solicitor deems it necessary taking into account the nature of the contract
- 16.3 Contact the City Solicitor where a contract is required to be sealed as a Deed, for example property and construction contracts or where the documents need to be retained for more than six years after the end of the contract.
- 16.4 Otherwise the following rules for signature apply:
 - any contract with a total value over £2 million must be signed by a Chief Officer
 - any contract with a total value less than £2million must be signed by a Senior Officer (3rd tier or above) except
 - where the total value is less than £100,000 in which case an Authorised Officer (4th tier or above) can sign within the limits specified by a Chief Officer as per contract standing order 2.4.
- 16.5 All contracts with the exception of one-off purchases below £5,000 shall be recorded on the Contract and Grant Register.
- 16.6 A briefing note is required using the prescribed document for all new contracts or extensions to contracts where the total contract value is over £100,000

Deleted: The checklist of reasons form (held by Procurement) why the Contract has not been awarded under seal must be completed

Deleted:

17 Professional Services and Consultants

- 17.1 An Authorised Officer may only appoint external consultants providing professional or consulting services if such services are not available within the Council or if Council officers providing them do not have the resources to meet the needs of the Authorised Officer.
- 17.2 An Authorised Officer must consult with the Strategic Director providing such services before making an external appointment.

18 Contract Conditions

- 18.1 The Council's Standard terms and conditions, available on bradnet, should be entered into wherever possible for all contracts. If this is not possible a supplier will be asked to submit their terms which must be formally approved by the City Solicitor prior to entering into the contract.

Deleted: 17.3 . External consultants and technical officers engaged to supervise contracts must follow these Standing Orders and Financial Regulations as applicable and their contracts for services must state this requirement.¶

Deleted:

- 18.2 The above rule shall not apply to:

- UK government standard documentation or government sponsored schemes such as Academies and amendments may be made for best value for money or project specific reasons.
- Construction and/or engineering contracts where bespoke conditions based on accepted industry practice are used e.g. JCT, NEC3 or ICE

- 18.3 All written contracts shall contain:

- details of the work, goods or services to be provided
- full details of the prices to be paid, frequency and any discounts
- the period or times over which the contract is to be performed
- suitable provisions that state that valid undisputed invoices will be paid by the Council within 30 days and a condition requiring contractors to include similar provisions in their contracts, and so on down the supply chain
- a termination clause relating to circumstances where there has been a breach of EU law on public procurement particularly where this results from a change in the awarded contract

19 Leases and Other Credit Agreements

- 19.1 The Authorised Officer must ensure that prior to entering into any lease or credit arrangement which has a capital cost, the cost must first be approved for inclusion in the Capital Investment Plan in accordance with Financial Regulations relating to capital expenditure.

20 Grants

-
- 20.1 The Authorised Officer must follow the Council's principles, processes and template documents as appropriate for awarding grants prior to entering into any grant arrangements
 - 20.2 Before awarding any grant with an estimated value in excess of £100,000, the Authorised Officer must consult the Assistant Director of Commissioning and Procurement.
 - 20.3 All grant agreements shall be recorded in the Contract and Grant Register.

21 Payment for Work on Account

- 21.1 The Director of Finance will make payments on account only on certificates (or other forms approved by the Director of Finance) which have been issued by the Authorised Officer, or the Architect/Engineer/ Supervising Officer appointed to deal with a particular contract.
- 21.2 As a general principal payment for goods, works and services are not to be made in advance of delivery other than in a low contract value and low risk situation.

22 Claims

- 22.1 The Authorised Officer must inform the City Solicitor of all claims by or against suppliers which are the subject of formal dispute resolution or litigation between the Council and the supplier.

23 Contracts Where Members Have an Interest

- 23.1 Where no competitive tendering process has been undertaken, no supplier or organisation in which a member has an interest, may be chosen or appointed unless the member's interest has been disclosed in accordance with the Members' Code of Conduct.

TABLE 1

Value Band	Total Contract Value	Procurement Options	Additional procedures
1	£0 - £24,999	<ul style="list-style-type: none"> Minimal competition requirement but must demonstrate value for money Must use in-house or corporate contract Must use local supplier if available Consider using purchasing card for low value, low risk purchases Invite one or more quotes if appropriate 	<ul style="list-style-type: none"> All quotes in writing Use Yortender for quotes over £5,000 All contracts over £5,000 to be entered in the Contract & Grant Register
2	£25,000 - £99,999	<ul style="list-style-type: none"> Must use in-house or corporate contract Consider availability of an existing suitable framework or DPS arrangement Consider if exception to competition applies Minimum of four quotes inviting at least two local suppliers if available Formal tender process 	<ul style="list-style-type: none"> All quotes in writing Use Yortender for quotes or formal tender All contracts to be entered in the Contract & Grant Register
3	£100,000 – EU threshold	<ul style="list-style-type: none"> Must use in-house or corporate contract Consider availability of an existing suitable framework or DPS arrangement Consider if exception to competition applies Formal tender process 	<ul style="list-style-type: none"> All proposed contracts must be referred to Commissioning & Procurement Complete Procurement Risk Assessment Form Use Yortender for formal tender Complete briefing note for contract award and extensions All contracts to be entered in the Contract & Grant Register
4	Above EU threshold	<ul style="list-style-type: none"> Must use in-house or corporate contract Consider availability of an existing suitable framework or DPS arrangement Full EU tender process with advert published in OJEU 	<ul style="list-style-type: none"> All proposed contracts must be referred to Commissioning & Procurement for consultation and advice Complete Procurement Risk Assessment Form Use Yortender for formal tender Complete briefing note for contract award and extensions Report to Overview & Scrutiny for contracts over £2million All contracts to be entered in the Contract & Grant Register

Version Control**Document History****Document source**

The latest version of this document is available in the
J:\Procurement\Procurement Standard Documents\Contract Standing Orders
sub-folder within the shared area used by Commissioning & Procurement.

Revision history

Version number	Date	Summary of changes	Revision marks
0.1	01/03/16	Prepared by Roy Barraclough	Yes
0.2	02/03/16	Prepared by Roy Barraclough following comments by Duncan Farr	Yes
0.3	14/03/16	Prepared by Roy Barraclough following comments by C&P	Yes
0.4	17/03/16	Prepared by Roy Barraclough following comments by SN	Yes

Approvals

This document will be approved by the following people.

Name	Role	Date
Shahid Nazir	Interim Assistant Director	
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Steve Fleming for Parveen Akhtar	City Solicitor	
Governance & Audit Committee		15/04/16
Council		

Distribution

This document has been distributed to:

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Steve Fleming – Legal Services	Consultation
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