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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 27 September 2018 at 10.00 am in Committee Room 1 - City Hall, Bradford

Members of the Committee – Councillors

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
M Pollard	Johnson (Ch) Thornton Swallow	Reid

Alternates:

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
Cooke	I Greenwood Lal Watson	J Sunderland

Notes:

- This agenda can be made available in Braille, large print or tape 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.

From: **To:**

Parveen Akhtar
City Solicitor
Agenda Contact: Fatima Butt
Phone: 01274 432227
E-Mail: fatima.butt@bradford.gov.uk

A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The 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. MINUTES

Recommended –

That the minutes of the meeting held on 30 July 2018 be signed as a correct record (previously circulated).

(Fatima Butt – 01274 432227)

4. 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 Strategic 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

5. EXCLUSION OF THE PUBLIC

The Committee is asked to consider if the item relating to the minutes of the meeting of the West Yorkshire Pension Fund Investment Advisory Panel meetings held on 26 April 2018 and 26 July 2018 should be considered in the absence of the public and, if so, to approve the following recommendation:

Recommended –

That the public be excluded from the meeting during the consideration of the items relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meetings held on 26 April 2018 and 26 July 2018 because the information to be considered is exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972. It is also considered that it is in the public interest to exclude public access to this item.

6. MINUTES OF THE WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 26 APRIL 2018

The Council's Financial Regulations require the minutes of meetings of the WYPF be submitted to this Committee.

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit **Not for Publication Document "K"** which reports on the minutes of the meeting of the WYPF Investment Advisory Panel held on 26 April 2018.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 26 April 2018 be considered.

(Rodney Barton – 01274 432317)

7. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 26 JULY 2018

The Council's Financial Regulations require the minutes of meetings of the WYPF be submitted to this Committee.

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit **Not for Publication Document "L"** which reports on the minutes of the meeting of the WYPF Investment Advisory Panel held on 26 July 2018.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 26 July 2018 be considered.

(Rodney Barton – 01274 432317)

8. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) LOCAL PENSION BOARD MEETING HELD ON 28 MARCH 2018

The Council's Financial Regulations require the minutes of meeting of the WYPF Local Pension Board meetings be submitted to this committee.

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit **Document "M"** which reports on the minutes of the meeting of the WYPF Local Pension Board held on 28 March 2018.

Recommended –

That the minutes of the West Yorkshire Pension Fund Local Pension Board held on 28 March 2018 be considered.

(Rodney Barton – 01274 432317)

9. EXTERNAL AUDIT'S ANNUAL AUDIT LETTER FOR THE 2017/18 AUDIT OF THE CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

The External Auditor will submit **Document "N"** which summarises the work undertaken by External Audit for the year ended 31 March 2018 as required by the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

The Letter builds on the Audit Completion (ISA260) Report (presented to the July Governance and Audit Committee) and although addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholder and on that basis, External Audit encourage the Council to make the Letter available on its website.

The sections of the Letter provide details of External Audit's responsibilities, the work that has been done to discharge them, and the key findings arising from the work.

Recommended-

That the Annual Audit Letter (Document "N") be noted.

(Mark Dalton – 0113 387 8735)

10. CORPORATE FRAUD UNIT - ANNUAL PERFORMANCE INFORMATION

The Strategic Director, Corporate Services will submit **Document "O"** which presents the annual Corporate Fraud Unit's performance information, as required by the Committee, to provide assurance that the Council's counter fraud arrangements are effective.

Recommended-

That the performance information contained within the report (Document "O") be noted.

(Tracey Banfield/Harry Singh – 01274 434794/437256)

11. ANNUAL TREASURY MANAGEMENT REPORT 2017/18

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18.

The Assistant Director of Finance and Procurement will submit **Document "P"** which reports on the Council's Treasury Management activities for the year ending 31 March 2018.

Recommended-

(1) That the report (Document "P") be noted and referred to the 16 October Council meeting for adoption.

(2) That the changes in the MRP (Minimum Revenue Provision) policy approved at Council on 17 July 2018 be noted.

(David Willis – 01274 432361)

12. TREASURY MANAGEMENT MID YEAR REVIEW UP TO 31 AUGUST 2018

The Assistant Director, Finance and Procurement will submit **Document "Q"** which is a mid-year report that has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2018/19 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council's capital position (prudential indicators).
- A review of the Council's borrowing strategy for 2018/19.
- A review of any debt rescheduling undertaken during 2018/19.
- A review of compliance with Treasury and Prudential Limits for 2018/19.
- A review of the Council's investment portfolio for 2018/19.

Recommended-

That the details in Section 2.6.1 of Document "Q" be noted and the report be referred to the 16 October 2018 Council meeting for adoption.

(David Willis – 01274 432361)

13. INTERNAL AUDIT ANNUAL REPORT 2017/18

The Assistant Director, Finance and Procurement will submit **Document "R"** which reviews the service Internal Audit has provided to the Council during the municipal year 2017/18.

Recommended-

That the work carried out by Internal Audit during 2017/18 be recognised and supported.

(Mark St Romaine – 01274 432888)

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 27 September 2018

M

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Local Pension Board meeting held 28 March 2018

Summary statement:

The role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS.

City of Bradford Metropolitan District Council (the Council), as Scheme Manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee.

The minutes of the WYPF Pension Board meeting are to be submitted to this committee.

Rodney Barton
Director

Report Contact: Rodney Barton
Phone: (01274) 432317
E-mail: rodney.barton@bradford.gov.uk

Portfolio:

Leader of Council & Corporate

Overview & Scrutiny Area:

Corporate

1. SUMMARY

- The Council's Financial Regulations require the minutes of meeting of WYPF Local Pension Board to be submitted to this committee.

2. APPENDIX

- Minutes of WYPF Local Pension Board 28 March 2018.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Minutes of a meeting of the West Yorkshire Pension Fund Pension Board held on Wednesday, 28 March 2018 in WYPF, Aldermanbury House, Godwin Street, Bradford BD1 2ST

Commenced 10.00 am
Concluded 11.45 am

Present –

Employer Representatives	Member Representatives
Councillor M Slater (Chair) – Bradford **Ms R Manning - Employer**	**Mr G Nesbitt – GMB** **Mr M Binks – Unison** **Mr C Sykes – Unison** **Mr M Morris - Unite**

Apologies:
Councillor G Hyde – Leeds
Councillor M Isherwood – Wakefield

Councillor Slater in the Chair

17. DISCLOSURES OF INTEREST

All those present who were members or beneficiaries of the West Yorkshire Pension Fund disclosed, in the interests of transparency, an interest in all business under consideration.

18. MINUTES

Resolved –

That the minutes of the meeting held on 8 November 2017 be signed as a correct record.

19. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals submitted by the public to review decisions to restrict documents.

20. MINUTES OF THE WYPF JOINT ADVISORY GROUP 25 JANUARY 2018

The report of the Director, West Yorkshire Pension Fund, (**Document "L**") reminded Members that the role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 was to assist the Council as

Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

The Minutes of meeting of WYPF Joint Advisory Group, 8 November 20107 were submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Members were advised that the estimates and revised estimates contained in Minute 24 had been amended and had been below the estimate for the year. The Fund continued to be the lowest cost provider of LGPS in the country which reflected the efforts of staff to improve efficiency.

It was explained that discussions with regard to Additional Voluntary Contribution Funds, as referred to in Minute 26, were continuing and it was felt these were moving in the right direction.

The report discussed in Minute 27, Investment Reform Criteria and Guidance – Investment Pooling, was to review progress from the commencement of the project and confirmed that the four criteria required had been met. It was explained that the issue would continue to be the subject of future reports.

A Member referred to a shared cost scheme being implemented by Kirklees Council and questioned if WYPF would consider a similar scheme. In response it was explained such a scheme would have no impact on the WYPF as the benefits were purely for the employers. Kirklees were the first local authority to implement the scheme and WYPF would monitor progress.

Resolved –

That the minutes of the WYPF JAG meeting held on 25 November 2017 be noted.

ACTION: Director, West Yorkshire Pension Fund.

21. INVESTMENT REFORM CRITERIA AND GUIDANCE - INVESTMENT POOLING

The report of the Director, West Yorkshire Pension Fund, (**Document "M")** provided an update on the continued development of pooling arrangements.

The report also informed the Board of the requirement of the Administering Authority to confirm that the pooling arrangements met the criteria set out in the November 2015 Investment Reform Criteria and Guidance. Document "M" summarised how those criteria were met by the Northern Pool.

The Pension Board was asked to note the progress on pooling to date, and confirm the pooling arrangements for the Northern Pool met the criteria set out in the November 2015 investment reform and criteria guidance, in compliance with the statutory guidance to the Investment Regulations.

The pooling criteria require asset pools to achieve benefits of scale; the pools must deliver strong governance and decision making; authorities were to achieve reduced costs and excellent value for money and that authorities were to achieve an improved capacity to invest infrastructure as outlined in Document “M”.

WYPF’s response to those criteria was explained including that in March 2017 there was £42 billion in the pool which more than met the government’s minimum requirement of £25 billion.

A shadow joint committee, shortly to become a joint committee, had been established to ensure strong governance and decision making. The committee comprised two members from each fund and three trade union representatives from the regions. The representatives from WYPF were Councillor Thornton and Ian Greenwood. A constitution for that body, currently in draft form, was being considered by lawyers and would need to be accepted by the member authorities in May. Members were advised that the Chair of the shadow committee had, sadly, passed away at Christmas 2017. Ian Greenwood was to take over that role.

With regard to reduced costs and excellent value for money it was reported that at a recent meeting with the Local Government Association the consensus had been that most pools would set up a company with a budget of £5 million per annum. The Northern Pool had taken legal advice and was advised that this was not required and would concentrate on saving money on the unquoted investments. This was because equity and bonds were invested in house at a relatively small cost by WYPF and that Greater Manchester and Merseyside Pension Funds had very large mandates and were already excellent value compared to other authorities.

In relation to improved capacity to invest in infrastructure it was explained that GLIL, a joint venture between WYPF, Greater Manchester, Merseyside and LPP (a partnership between the Lancashire Pension Fund and the London Pension Authority) had been established to invest in infrastructure. GLIL had already committed £1.3 billion with £630 million already invested and earning a return. GIIL would receive Financial Conduct Authority approval shortly. Members questioned the nature of those investments and were advised that these included very large off shore wind turbines; railway carriages and a large stake in Anglian Water.

The impact of Brexit was questioned and it was explained that GLIL investments were in the UK and that the risk factor of Brexit was reviewed in each project.

Resolved –

That the progress on pooling to date be noted and that the pooling arrangements for the Northern Pool meet the criteria set out in the November 2015 investment reform and criteria guidance, in compliance with the statutory guidance to the Investment Regulations, be confirmed.

ACTION: Director, West Yorkshire Pension Fund.

22. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund, presented **Document "N**" which reported that, in accordance with the Public Service Pensions Act 2013, all Public Service Pension Schemes came under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposed a requirement to report a matter to the Pensions Regulator as soon as was reasonably practicable where that person had reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
(b) the failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of any of its functions.

A Register of Breaches of Law was, therefore, maintained in accordance with the Pensions Regulator's requirements and WYPF Breaches Procedure.

It was noted that one employer appeared on the register a number of times. Members were assured that this had been due to teething problems following changes to the payroll system provider. The payments had only been a few days late and did not involve large sums of money. The most recent returns had been monitored and the issue appeared to be resolved.

An additional company appearing on the register five times was also questioned and it was confirmed that steps taken to resolve that issue had been effective

Members were advised that any employer who had not paid one month after the 19th of the month following the deadline date were charged interest and that there had been no financial loss to the WYPF because of those issues.

Resolved -

That the entries on the Register of Breaches of Law be noted.

ACTION: Director, West Yorkshire Pension Fund.

23. PENSIONS ADMINISTRATION REPORT

The report of the Director, West Yorkshire Pension Fund, (**Document "O**") set out developments within the Fund in the last year covering changes in employers, membership, Performance and Benchmarking, Employer and Customer Service Surveys, Internal Dispute Resolution Procedure Cases and External Business.

The report revealed that during the past year there had been 89 employers admitted as new employers and that 48 employers had ceased their participation. It was explained that a number of those ceasing participation were single academies converting to multi academy trusts already participating in the scheme and the true number of 'leavers' was 13.

Membership changes revealed that there were a number of 'undecided' and 'frozen' members and in response to questions it was explained that the term undecided referred to people who had left the scheme but not yet decided if they wished to transfer from the scheme or receive deferred benefits. Frozen referred to very old cases where people were entitled to refunds but the fund did not have any contact details. There were only a very few of those cases, usually involving small amounts, and efforts were being made to contact those people. In response to a request it was agreed that the value of those deferred and frozen members would be provided in a future report.

The number of active members in the 50/50 scheme was discussed and it was reported that in West Yorkshire and nationally the numbers were very low. It was explained that the majority of those 50/50 members were in the high paid bracket and that was not the intention of the initiative. A survey had been conducted and it was found that very few members were aware of the 50/50 option. If those people were not members of WYPF the fund was unable to contact them and it was the responsibility of employers to tell their staff that for those on low pay this was an attractive way to enter the scheme. The Trade Union Representatives reported that they would be interested in any support the fund could provide to promote the 50/50 option to their members.

It was questioned how many of scheme Members leaving had done so because of redundancy. That information was not available at the meeting but it was agreed that this could be provided if required. It was confirmed that employers met the cost for early retirement payments.

Performance and benchmarking statistics revealed that the majority of targets were exceeded. The reasons for any underperformance were explained. Death in Service, although treated as a very high priority, could encounter delays because of employers' involvement. Death of deferred Members could encounter holdups if it was difficult to trace the next of kin.

The results of Member and Employer surveys conducted October 2016 to September 2017 measured satisfaction at 87% and it was explained that any negative comments were because of delays attributable to employers. It was also explained that the fund communicated to members in plan English but as

pensions were a complex subject inevitably some members did not understand the issues.

The report explained the Internal Dispute Resolution Procedure and although increases in Stage 1 appeals were shown it was explained that all those disputes had been rejected which demonstrated that WYPF had robust systems and processes in place. A pack had been prepared to enable employers to understand the procedures. A member questioned if that document could be made available to him and it was agreed to provide the document to those who would like a copy.

It was explained that the Consumer Price Index (CPI) for September 2017 was at 3% and that pensions would increase by that percentage from April 2018.

Document "O" reported that the Scheme Advisory Board for the LGPS in England and Wales had appointed Aon Hewitt to help them in a review of Tier 3 employers in the LGPS. Tier 3 Employers were those receiving no tax- payer backing and were usually colleges, universities, housing associations, charities and admission bodies with no guarantee from a tax-payer backed employer. An Employer representative expressed concern that a rise in contributions could have a detrimental impact on those organisations. In response it was explained that it was timely to conduct that review at the moment as the fund was performing well. It was also confirmed that potential increases would affect employer and not employee contributions.

A Member questioned the procedure for employers to take payment holidays and was advised that the option was only available for short term employers. Refund payments were not available for employers in surplus when they left the scheme and a potential surplus was the reason that some short term employers were able to halt their payments.

Document "O" presented changes to the State Pension Age (SPA) and it was it was questioned if those changes would affect the ability for fund members to access their pensions at the earlier age of 55. Members were advised that earliest retirement was not linked to the Government review although it had been normal practice for the earliest age retirement could be accessed to be 10 years prior to SPA. It was thought that amendments to the 55 year rule could be applied in the future.

The Pension Regulator had published information on roles and responsibilities and appended to Document "O" were details about the role of scheme managers, pension boards and others involved in governing public service schemes.

Members were advised that WYPF were winners of the Scheme Governance Award on 19 September 2017 and were shortlisted in a number of other categories.

It was reported that external business continued to increase and that WYPF continued to act as Adjudicator for Stage 1 Appeals for a number of Administering

and ‘Employing Authorities outside of the West Yorkshire area. In response to questions it was confirmed that additional employment opportunities resulted and that all money made would be put back into the fund reducing costs for all.

Members questioned if an audit of data was conducted prior to accepting new business and raised concern about the quality of data from some London boroughs. It was explained that charges were made for work required to put data in good order. The discussions currently taking place with London Borough of Hounslow specify that the data must be of reasonable quality. The requirement of the Pension Regulator for data quality scores to be compiled would also help the fund to identify the quality of data in future business.

Resolved –

That the report be noted and the staff be thanked for their hard work in maintaining the high standards demonstrated in Document “O”.

ACTION: Director, West Yorkshire Pension Fund.

24. LOCAL GOVERNMENT PENSION SCHEME

The report of the Director, West Yorkshire Pension Fund, (**Document “P**”) updated Members on current issues affecting the Local Government Pension Scheme (LGPS).

Document “P” reported the name change of the Department for Communities and Local Government which had been renamed the Ministry of Housing, Communities and Local Government (MHCLG). It was also reported that following a cabinet reshuffle Rishi Sunak MP had been appointed Parliamentary under Secretary of State (Minister for Local Government).

The outcome of a high court judgement in January 2018 had declared that requiring a member to nominate a person under regulations 24 and 25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 was incompatible with the European Convention on Human Rights and must therefore be disapplied. WYPF had endeavoured to contact all cohabiting partners that may be affected and had begun to pay a partner’s pension to those who had proved they had met the criteria.

Members were advised of an increase in Member contribution rates in 2018/19 and a table of draft contribution rates from 1 April 2018 was presented. A Member questioned if the contribution rise would take account of pay rises or inflation and was advised that the contributions were increased in line with inflation.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund.

25. THE PENSION REGULATOR'S RECORD KEEPING AND DATA QUALITY REQUIREMENTS

The report of the Director, West Yorkshire Pension Fund (**Document "Q**") advised Members of the Pension Regulator's (TPR) Code of Practice 14 and the Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member's pension contributions.

Work would commence in summer 2018 to assess the quality of data held by the Fund and a data improvement plan would be created.

It was explained that two types of data would be measured and that this was common data and key scheme specific (conditional) data. Guidance was awaited from the LGPC to ensure consistency. The score would be affected if the Fund did not have contact addresses for deferred members and work was being conducted to address that issue.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund.

26. UPDATE ON THE GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION EXERCISE

The report of the Director, West Yorkshire Pension Fund (**Document "R**") advised Members that the Guaranteed Minimum Pension (GMP) Reconciliation Exercise was to wind up the contracted out element link between the LGPS (Local Government Pension Scheme) and the SERP's (State Earnings Related Pension Scheme) which affected members with service between 6 April 1978 and 5 April 1997.

The reconciliation process was designed to allocate all GMP liabilities to the correct Fund before the deadline in 2018, after which, the relevant Fund that held the record would be liable for pension inflation increases.

The amount of GMP was used when calculating Pensions Increase each April and determined whether some of the increase was paid by WYPF and included within the WYPF pension or whether it was paid by the state (DWP) and included within the SERPS element of the state pension. It was expected that any adjustments which needed to be made to WYPF records resulting from that exercise would be fully automated where possible.

Resolved -

That the update contained in Document "R" be noted and the potential additional workloads anticipated from the Guaranteed Minimum Pension Reconciliation Exercise be acknowledged.

ACTION: Director, West Yorkshire Pension Fund.

27. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY

The Director, West Yorkshire Pension Fund, presented a report, (**Document "S**") which advised Members that, as part of the compliance with the LGPS Regulations 2013 regulations, WYPF prepare a written statement of the authority's policies in relation to such matters as it considers appropriate in relation to procedures for liaison and communication with scheme employers and the levels of performance which the employers and WYPF were expected to achieve.

The Pensions Administration Strategy and Communications Policy were reviewed each year and approved by Joint Advisory Group (JAG).

Members were advised that there were no changes to the Pensions Administration Strategy. The strategy was appended to Document "Q" and highlighted roles, responsibilities and expectations for employers and WYPF.

The Communications Policy had been updated to reflect activities planned for 2018-19. It was explained that WYPF considered communications an important part of pension administration and as many channels as possible were used to publicise the scheme including facts card, social media, newsletters and the member website where members could view their pension online and update personal information. There were plans to update the website further so members would be able to undertake benefit calculations.

A Member referred to difficulties that had been encountered by a person with hearing difficulties accessing the fund. It was explained that information was provided in a number of formats including braille and large type font. A telephone service was also available for members to call. It was agreed to provide that member's details to WYPF to enable assistance to be provided. In response to questions it was explained that contact hours for WYPF had been lengthened to increase call answer rates.

Resolved –

That the Pensions Administration Strategy and Communications Policy 2018/19, contained in Document "S" be noted.

ACTION: Director, West Yorkshire Pension Fund.

28. TRAINING, CONFERENCES AND SEMINARS

The Director, West Yorkshire Pension Fund, presented a report, (**Document "T**") which informed Members that their training to understand the responsibilities and issues which they would be dealing with was a very high priority. The report also explained that specific training through one to one meetings with the in-house team could also be arranged.

Members were advised that the next in house training event would be held in September/October 2018 date to be confirmed. A view that in house training would be required before that date was expressed and it was agreed that if members could provide details of topics they wished to be covered arrangements would be made for a training session in June.

The next meeting of the Pension Board would be held in October and the precise date would be confirmed shortly.

No resolution was passed on this item.

29. EXCLUSION OF THE PUBLIC

Resolved –

That the public be excluded from the meeting during consideration of the item relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meetings held on 2 November 2017 and 25 January 2018 because information would be disclosed which was considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).

It was considered that, in all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information as it was in the overriding interest of proper administration that Members were made aware of the financial implications of any decision without prejudicing the financial position of the West Yorkshire Pension Fund.

30. MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL HELD ON 2 NOVEMBER 2017 AND 25 JANUARY 2018

Resolved –

That the Not for Publication minutes appended to Document "U" be noted.

ACTION: Director, West Yorkshire Pension Fund.

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the West Yorkshire Pension Fund Pension Board.

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

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of External Audit to the meeting of the Governance and Audit Committee to be held on 27 September 2018

N

Subject:

External Audit's **Annual Audit Letter** for the 2017/18 audit of the City of Bradford Metropolitan District Council

Summary statement:

Our Annual Audit Letter summarises the key findings from the work we have undertaken as the Council's External Auditor for the year ended 31 March 2018.

Mark Kirkham
Partner
Mazars LLP
Report Contact: Mark Dalton
Phone: 0113 387 8735
e-mail: mark.dalton@mazars.co.uk

1. SUMMARY

Our Annual Audit Letter summarises the work we have undertaken as the Council's External Auditor for the year ended 31 March 2018 as required by the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

The Letter builds on our Audit Completion (ISA260) Report (presented to the July Governance and Audit Committee) and although addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholder and on that basis, we encourage the Council to make the Letter available on its website.

The sections of the Letter provide details of our responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	Our report, issued on the 31 July 2018, included our opinion that the financial statements: • give a true and fair view of the Council's financial position as at 31 March 2018 and of its expenditure and income for the year then ended; and • have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
Other information published alongside the audited financial statements	Our report included our opinion that: the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	Our report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.
Reporting to the group auditor	In line with group audit instructions issued by the NAO, on 9 August 2018 we reported to the group auditor in line with the requirements applicable to the Council's WGA return.
Statutory reporting	Our report confirmed that we did not use our powers under section 24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council. The report also confirmed that we did not exercise any other special powers of the auditor under sections 28, 29 or 31 of the 2014 Act.
Audit of financial statements included in the Pension Fund Annual Report	On 31 July 2018 we issued our opinion that the Pension Fund financial statements within the Pension Fund Annual Report are consistent with the Council's Statement of Accounts.

2. BACKGROUND

Not applicable

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

Not applicable

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

Not applicable

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

Not applicable

7.2 SUSTAINABILITY IMPLICATIONS

Not applicable

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable

7.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable

7.5 HUMAN RIGHTS ACT

Not applicable

7.6 TRADE UNION

Not applicable

7.7 WARD IMPLICATIONS

Not applicable

7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

Not applicable

7.9 IMPLICATIONS FOR CORPORATE PARENTING

Not applicable

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

Not applicable

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

The Governance and Audit Committee is asked to:

- note the Annual Audit Letter

11. APPENDICES

Annual Audit Letter 2017/18 – City of Bradford Metropolitan District Council

12. BACKGROUND DOCUMENTS

None

Annual Audit Letter

City of Bradford Metropolitan District Council

Year ending 31 March 2018

MAZARS

CONTENTS

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for City of Bradford Metropolitan District Council (the Council) for the year ended 31 March 2018. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	Our report, issued on the 31 July 2018, included our opinion that the financial statements: • give a true and fair view of the Council's financial position as at 31 March 2018 and of its expenditure and income for the year then ended; and • have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
Other information published alongside the audited financial statements	Our report included our opinion that: the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	Our report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.
Reporting to the group auditor	In line with group audit instructions issued by the NAO, on 9 August 2018 we reported to the group auditor in line with the requirements applicable to the Council's WGA return.
Statutory reporting	Our report confirmed that we did not use our powers under section 24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council. The report also confirmed that we did not exercise any other special powers of the auditor under sections 28, 29 or 31 of the 2014 Act.
Audit of financial statements included in the Pension Fund Annual Report	On 31 July 2018 we issued our opinion that the Pension Fund financial statements within the Pension Fund Annual Report are consistent with the Council's Statement of Accounts.

2. AUDIT OF THE FINANCIAL STATEMENTS – CITY OF BRADFORD MDC

Opinion on the financial statements	Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2018 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Governance and Audit Committee. We call this our trivial threshold.

The table below provides details of the overall materiality levels applied for the year ended 31 March 2018:

Financial statement materiality	Our financial statement materiality is based on 1.6% of gross revenue expenditure.	£18m
Trivial threshold	Our trivial threshold is based on 2.5% of financial statement materiality.	£450k

2. AUDIT OF THE FINANCIAL STATEMENTS – CITY OF BRADFORD MDC

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Governance and Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
Management override of controls Management at various levels within an organisation are 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. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We addressed this risk through performing audit work in the following areas: • accounting estimates impacting on amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements.	Our audit work provided the assurance we sought and did not highlighted any indication of management override of controls.
Revenue recognition – fees and charges In accordance with international standards on auditing (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 and we have done this in relation to the Council's most significant sources of income - taxation and grant income. We decided that there is sufficient scope for rebuttal for fees and charges so we identified those income streams as the key areas for testing. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.	We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition we undertook a range of substantive procedures including: • testing receipts in March, April and May 2018 to ensure they were recognised in the right year; • testing material year end receivables; • testing adjustment journals; and • obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.	Our audit work provided the assurance we sought and did not identify any indication of revenue being recognised in the wrong year.

2. AUDIT OF THE FINANCIAL STATEMENTS – CITY OF BRADFORD MDC

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
Property, plant and equipment (PPE) valuation The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations. We have therefore identified the valuation of PPE to be an area of risk.	We evaluated the Council's arrangements for ensuring that PPE values are reasonable. We reviewed the scope and terms of the engagement with the Council's in-house valuer and how management used the valuers report to value land and buildings in the financial statements. We also • assessed the competence, skills and experience of the Council's valuer; • considered regional valuation trends (provided by our valuation expert) to assess the reasonableness of the movement in valuations; and • where necessary performed further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.	There were no significant findings arising from our work on the valuation of PPE.
Defined benefit liability valuation The financial statements contain material pension entries in respect of 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.	We discussed 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: • evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary; and • considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.	Our audit work provided the assurance we sought and did not identify any indication of material estimation error in respect of the defined benefit liability valuation.

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
Revision to Minimum Revenue Provision (MRP) calculation Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (2003 Regulations), as amended, requires local authorities to set aside a prudent amount of MRP. DCLG has issued Guidance on MRP which sets out the principles and processes to be followed in complying with these regulations and gives four options which are consistent with the Regulations to determine the MRP calculation. Local authorities, under this guidance, have to make an annual statement setting out their MRP policy for the year which is approved by elected Members. We are aware that, relatively late in the year and, in part, due to changes to the MRP guidance, the Council is reviewing its policy in respect of the annual charge for MRP in 2017/18. Changing MRP does not lead to an absolute revenue saving as the change typically reallocates the cost of financing into future years. Local authorities, when revising their MRP, will need to consider the possible consequences such as maintaining a higher Capital Financing Requirement (CFR) and the interest implications of a higher underlying need to borrow. There is a risk that the revisions the Council makes may not be compliant with 2003 Regulations and guidance issued by DCLG. Additionally, to make prudent policies, the Council needs to apply sound judgements and reasonable estimates.	We sought evidence that the Council has: • considered all the options available and their wider impact on CFR and underlying borrowing; • determined that the change in policy is appropriate and prudent; • demonstrated that the proposed revised MRP policy complies with Regulations and guidance issued by DCLG (including taking legal advise where appropriate); and • recorded proper approval of the change in policy; We also: • critically assessed the revised MRP calculations for accuracy, completeness and correct accounting treatment in the year end financial statements (including the treatment of any theoretical overpayments); • tested the reasonableness of estimates and judgements made by the Council in arriving at the revised MRP calculation.	Our audit work provided the assurance we sought and did not identify any material issues to bring to your attention.

2. AUDIT OF THE FINANCIAL STATEMENTS – CITY OF BRADFORD MDC

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	None
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	One
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	One

Deficiencies in internal control – Level 2

Description of deficiency	Declarations of interest from management were not sought in a timely manner to support the preparation of the related party note (Note 41) within the statement of accounts.
Potential effects	There is a risk that related party transactions are not identified and monitored appropriately in year. There is also a risk that the disclosure in the statement of accounts is not complete or based on up to date information.
Recommendation	The Council should ensure that declarations of interests are sought on a timely basis both throughout the year and in advance of preparation of the statement of accounts..
Management response	The Council will review related party transactions earlier in future years.

Deficiencies in internal control – Level 3

Description of deficiency	As part of the audit, we identified a significant number of journals containing no narrative description.
Potential effects	The exclusion of a narrative description makes it more difficult to determine the reason for a journal posting and potentially increases the risk for fraudulent activity being undetected.
Recommendation	The Council should both remind staff of the need to include an appropriate narrative description on all journals and regularly review journals to ensure that journal descriptions have been appropriately included for all posted entries.
Management response	The Council will review the input of journals with no narrative description, to identify whether those identified by external audit were exceptional and whether controls can be strengthened.

2. AUDIT OF THE FINANCIAL STATEMENTS – WEST YORKSHIRE PENSION FUND

Opinion on the financial statements	Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Pension Fund and whether they give a true and fair view of the Pension Fund's financial position as at 31 March 2018 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Governance and Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied for the year ended 31 March 2018:

Financial statement materiality	Our financial statement materiality is based on 1% of net assets available to pay benefits.	£135.6m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£4m
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: - Fund Account (using a benchmark of 10% of contributions receivable)	£50.8m

2. AUDIT OF THE FINANCIAL STATEMENTS – WEST YORKSHIRE PENSION FUND

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Governance and Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
Management override of controls In all entities, management at various levels within an organisation are 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. Because of 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.	We addressed this risk by performing audit work in the following areas: • accounting estimates impacting on amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements.	Our audit work provided the assurance we sought and did not highlight any indication of management override of controls.
Valuation of unquoted investments for which a market price is not readily available As at 31 March 2018, the fair value of investments which were not quoted on an active market was £1.9bn, which accounted for 13.6% of the Fund's net investment assets. As prices for these investments are not quoted in active markets, the values used in the accounts are those provided by fund managers. This is mostly based on Net Asset Value statements. This results in an increased risk of material misstatement.	In addition to our standard programme of work in this area we have: • agreed the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agreed the investment manager valuation to audited accounts. Where these were not available, we agreed the investment manager valuation to other independent supporting documentation; • where audited accounts were available, we checked that they were supported by a clear opinion; and • where available, we reviewed any independent control assurance reports and confirm that they do not highlight any risks of material misstatement	Our audit work provided the assurance we sought and did not identify any indication of material estimation error in respect of unquoted investments valuation.

3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	Unqualified

Our audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council 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 assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

Our auditor's report, issued to the Council on 31 July 2018, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	The Council has a Constitution in place which is reviewed annually and provides the framework within which the Executive take decisions in exercise of Council functions. During the year the senior management structure has been refreshed to ensure it remains appropriate to respond to the Council's future plans and challenges. The Council has adopted a Risk Management Strategy and maintains both corporate and service risk registers which identify actions required to mitigate the identified risks. The Council uses corporate and departmental service level performance measures to report and manage service delivery. The Quarterly Financial Monitoring Reports and associated in year and outturn Finance and Performance Reports, present to the Executive and Corporate Overview & Scrutiny the current and forecast position on performance and finance in relation to the Council's activities. A set of corporate indicators is in place that focuses on key Council priorities. Performance is monitored through Departmental Management Teams, Corporate Management Team with reporting to the Executive and Overview and Scrutiny Committees.	Yes
Sustainable resource deployment	The Council delivered a small budget underspend of £0.3 million for 2017/18 and delivered recurrent savings of £23.4m. Whilst the Council has a good track record of achieving savings, having managed to reduce spending by £233 million over the past 7 years, £22.6m of the £46m of planned savings for 2017/18 were not delivered as intended. The underachievement against the savings plan was significantly higher than prior years (£7.9m in 2016-17 and £4.3m in 2015/16) and was due, in the main, to increased demand for adult and children's services, the increased difficulty in delivering savings as the Council reduces in size and as lower priority areas have already been cut. *(continued overleaf)*	Yes

3. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment (continued)	The Council recognises that having high levels of underachieved savings has a detrimental impact of the financial health of the Council as savings not delivered in year compound the difficulty in delivering future years' additional savings unless addressed. In response, the Council has: • set a balanced budget for 2018/19 which is underpinned by detailed savings plans; • refreshed it's Medium Term Financial Plan (MTFP) to recognise that some of the underachieved savings highlighted above will require a longer delivery period and others may not be deliverable given current service demand pressures; • enhanced it's monitoring and reporting arrangements to more quickly identify and tackle emerging financial issues and / or develop compensatory savings; • commissioned external support to help the identification and delivery of required savings and transformation; and • developed a better alignment between budget processes and its purposes, priorities and ambitions as set out in the Council Plan. The Council approved a medium-term financial strategy for 2019/20 to 2021/22 and beyond which is a key part of the Council's planning and performance framework. The financial outlook remains highly challenging requiring the delivery of significant savings of £28.2m in 2018/19 and £26.8m in 2019/20 and identification of further savings of £30.6 million for 2021/22.	Yes
Working with partners and other third parties	The District Plan has been developed with key partners and partnerships setting out long-term ambitions for the District and outlines priorities for action. A review of Bradford District Partnerships arrangements has established clear leads for each of the agreed outcomes that form the Council and District's vision. The Council is an active member of a number of strategic delivery partnerships. Through the Health and Wellbeing Board, for example, the Council is a lead member of the Bradford District and Craven Sustainability and Transformation Plan (STP) and the wider West Yorkshire and Harrogate STP – working to create a strategic health and care economy that supports people to be healthy, well and independent. The Council continues to work with partners and other third parties to explore scope for alternative delivery models with some already in place and others being considered.	Yes

3. VALUE FOR MONEY CONCLUSION

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant risks. The work we carried out in relation to the significant risk is outlined below.

Risk	Work undertaken	Conclusion
Delivery of a balanced budget and Medium Term Financial Planning Our audit work in previous years has concluded that the Council has appropriate arrangements in place for Medium Term Financial Planning. The Council continues to face financial pressure in the coming years and the Council has recently updated its medium term financial strategy (MTFS). We need to ensure our knowledge of the Council's MTFS arrangements and its monitoring of the planned delivery of a balanced budget and related savings, remains up to date in order to ensure we give the correct conclusion.	Building on our work in previous years, our work included reviewing: • the Council's updated 2018 MTFS to ensure it reflects the latest income projections and funding position from central government; and. • the arrangements the Council has in place to monitor progress in delivering a balanced budget and related savings plans.	The Council has revised its medium-term financial strategy for 2019/20 to 2021/22 to ensure it is based on appropriate assumptions (income projections, central government funding, pay and non-pay inflation) and recognises the risks associated with these assumptions. The Council delivered a balanced budget for 2017/18 – delivering a small budget underspend of £0.3m and recurrent savings of £23.4m. The underachievement against the 2017/18 savings plan was significantly higher than prior years (£7.9m in 2016-17 and £4.3m in 2015-16) and was due, in the main, to increased demand for adult and children's services. The Council recognised these demand pressures early in the financial year and, through it's routine monitoring and reporting arrangements, put compensating arrangements in place sufficient to deliver a balanced budget. As highlighted above, the financial outlook remains highly challenging and in response, the Council has further enhanced its MTFS arrangements and its budget monitoring and reporting arrangements.

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	**No matters to report**
Completion of group audit reporting requirements	**Consistent**
Other information published alongside the audited financial statements	**Consistent**

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 9 August 2018.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Governance and Audit Committee in March 2018.

Having completed our work for the 2017/18 financial year, we can confirm that our final fees are as follows:

Area of work	2017/18 proposed fee	2017/18 final fee
Delivery of audit work under the NAO Code of Audit Practice	£185,317	£185,317
Certification of Housing Benefit Subsidy Claim*	£16,520	£16,520

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

* Our work on the Housing Benefit Subsidy Claim is not yet completed and consequently the final fee quoted above is still on an estimated basis.

6. FORWARD LOOK

Financial outlook

Perhaps the most significant challenge for the Council, along with others and the wider public sector, is the continued pressure on finances and the need to plan for further reductions in spending power which will make it increasingly difficult to maintain the existing level of service provision. We have noted how the Council has dealt with this challenge so far and expect there will be a need for difficult decisions to keep spending within available resources.

The Council has appropriately addressed this challenge to date and has a proven track record of strong budget management and delivering planned budget reductions. The Council under-spent on its 2017/18 budget by £0.3 million ending the year with unallocated corporate reserves of £14.5 million as a contingency to meet unexpected costs.

As well as reduced funding the Council also faces increasing demand for some services particularly adult and children's social care. The Council is working to achieve challenging savings plans of £28.2m in 2018/19 and £26.8m in 2019/20 as set out in the Council's Medium Term Financial Strategy. Looking forward to 2020/21, the Council is facing major uncertainties in relation to business rates retention and the fair funding review.

Operational challenges

The difficulty in maintaining good service performance levels at the same time as finding savings is recognised by the Council as a key operational challenge. Performance assessment arrangements are in place and outcomes are reported to and monitored by Members.

Key challenges include:

- safeguarding vulnerable children; and
- ensuring an effective integrated system of health and social care.

With a financial outlook that is increasingly challenging, the Council will need to ensure operational and financial plans deliver statutory duties and consider the needs and expectations of citizens and service users within available resources.

Next year's audit and how we will work with the Council

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support the Council by:

- continued liaison with the Council's Internal Auditors to minimise duplication of work;
- attending Governance and Audit Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with the Council to identify any learning from the 2017/18 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise. . A key focus in the coming year will be the adoption of IFRS 9 Financial Instruments, a new standard for 2018/19 , which changes the approach to financial assets and accounting for impairment.

Looking further ahead, IFRS 16 Leases is a new standard to be adopted from 2019/20, which establishes a new model for lessees and removes existing lease classifications. It is anticipated that the impact on the accounts of this could be material.

The Council has taken a positive and constructive approach to our audit and we wish to thank Members officers for their support and co-operation during our audit.

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Strategic Director of Corporate Resources to the meeting of the Governance & Audit Committee to be held on 27th September 2018

O

Subject:

Corporate Fraud Unit – annual performance information

Summary statement:

The purpose of this report is to:
Present the annual Corporate Fraud Unit's performance information, as required by the Committee, to provide assurance that the Council's counter fraud arrangements are effective.

Joanne Hyde
Strategic Director of Corporate Resources

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Portfolio:

Leader of the Council & Corporate

1. SUMMARY

The purpose of this report is to:

Present the annual Corporate Fraud Unit's performance information, as required by the Committee, to provide assurance that the Council's counter fraud arrangements are effective.

2. BACKGROUND

The Corporate Fraud Unit has reported to Committee, on counter fraud performance, since June 2012.

3. OTHER CONSIDERATIONS

3.1 Referral and Investigation

The following table represents the types of fraud investigations closed in 2016/17 and 2017/18.

Table 1

	No. of cases investigated (as a % of total investigations) for year ending 31st March 2018	No. of cases investigated (as a % of total investigations) for year ending 31st March 2017
Social Care / Direct Payments	**4 (2%)**	**4 (1%)**
Revenues related*	**53 (24%)**	**147 (36%)**
Blue Badge	**124 (57%)**	**166 (41%)**
Grants	**4 (2%)**	**8 (2%)**
Social Housing Tenancy Fraud	**12 (5%)**	**31 (8%)**
Procurement	**2 (1%)**	**0**
Theft (e.g. Council property, assets)	**4 (2%)**	**12 (3%)**
Other (e.g. Employee Code of Conduct, Insurance, Cyber Fraud, Pensions)	**15 (7%)**	**35 (9%)**
TOTAL NUMBER OF CASES INVESTIGATED	**218**	**403**

Revenues related fraud refers to, for example, Council Tax liability, Council Tax Single Person discount, Council Tax Reduction scheme, any Business Rates related fraud or any other benefit, discount, allowance administered by the Council.

The number of investigations carried out, overall in 2017/18, compared with 2016/17, has reduced. This is due to a number of factors; not least the time spent supporting, coaching and mentoring Wakefield colleagues in their investigations (see paragraph 3.2.4), but also the Corporate Fraud Unit became involved in a number of complex investigations all of which are currently on going and the majority are expected to be completed by the end of the financial year ending March 2019.

These factors have inevitably led to fewer proactive action days, to identify Blue Badge abuse and misuse, as only 10 action days were held in 2017/18 compared with 40 action days in 2016/17. Nevertheless the work in this area earned the Council's Corporate Fraud Unit, the Revenues, Benefits & Payroll Transport & Education team and the Council's Parking & City Centre Services Team recognition in the Sovereign Health Care / Bradford Council's Strategic Disability Partnership "Easier Access Awards", in September 2017, for the difference made for disabled people in the Bradford District.

The number of investigations into Revenue related fraud has reduced considerably from 2016/17 to 2017/18 as the residual Housing Benefit cases, following the transfer of Housing Benefit fraud investigation to DWP in 2014, were completed by the end of March 2017.

3.2 Summary of investigation outcomes

The following table represents the outcomes from fraud investigations closed

Table 2

	1st April 2017 to 31st March 2018			**1st April 2016 to 31st March 2017**		
	Employee	**Citizen**	**Total**	**Employee**	**Citizen**	**Total**
Investigations Concluded in the period	*18*	*200*	***218***	*33*	*370*	***403***
Investigations where fraud / corruption theft or irregularity uncovered	*14*	*167*	***181***	*18*	*273*	***291***
including;- ***Prosecutions*** *Concluded in the period*	*0*	*27*	***27***	*1*	*44*	***45***

	Other sanctions *Cautions, fines, warnings (final or written) concluded in the period*	*2*	*119*	***121***	*2*	*131*	***133***
	Dismissals *Including resignations prior to hearing concluded in the period*	*4*	*n/a*	***4***	*3*	*n/a*	***3***

Table 2 demonstrates that, in 2017/18, of all the investigations where fraud, theft and/or irregularity were uncovered, 84% resulted in a prosecution or other sanction, or in the case of a Council employee, a dismissal or the employee resigned. This is an improvement on the previous year when 62% resulted in a form of sanction.

Investigations which did not result in a prosecution, sanction, dismissal or resignation are due to a variety of reasons, for example there may have been insufficient admissible and cogent evidence to support a criminal prosecution or sanction.

3.2.1 Other sanctions

This refers to cautions, written warnings (including first written warnings for blue badge cases and administrative fines) and in both 2016/17 and 2017/18 these were the most common form of sanctions used.

3.2.2 Financial Investigation

Financial Investigation is an important tool in the fight against crime and it can provide valuable new avenues for investigations so we continue to integrate financial investigation across investigative processes in order to enhance the quality of investigations, disrupt criminality, protect communities and build public trust and confidence sending a strong message to both criminals and the community that “crime will not pay”.

Where an investigation into fraud, corruption, theft or other financial irregularity is considered to be likely to result in a conviction, the Corporate Fraud Unit will refer all suitable cases to West Yorkshire Joint Services for financial investigation (normally, but not limited to, those cases where the estimated loss is £5,000 or more) with a view to recovering monies, or property, obtained as a result of criminal activity or criminal lifestyle. When appropriate, applications will be made to the Courts for restraint orders to freeze and stop the offender from dissipating assets. The Council will seek to recover assets by means of supporting confiscation order proceedings under the Proceeds of Crime Act 2002 and/or the Criminal Justice Act 1988.

Since the last report to the Committee, the Corporate Fraud Unit have referred 8 new cases to West Yorkshire Joint Services, for financial investigation, and have made 1 application to the Courts, via West Yorkshire Joint Services for a restraint order and have had 3 successful confiscation hearings.

3.2.3 Employee investigations

Fraud investigations into Council employees have always been small in number and accounted for only a relatively low percentage of the total investigations carried out by the Corporate Fraud Unit, however, as described in paragraph 3.1, in the current financial year the Corporate Fraud Unit are involved in a number of complex investigations, all of which are currently on going and the majority will be completed within the financial year 2018/19.

In the last two financial years 51 employee investigations were concluded and fraud / corruption, theft or other financial irregularity was uncovered in 32 cases resulting in 7 employees being dismissed or resigning prior to the disciplinary hearing, 1 employee being prosecuted for criminal offences, 4 received final or written warnings, 5 were issued with management expectations letters and in the remaining 15 cases the recommendations were accepted by Management and action taken to prevent a recurrence but there was no individual employee sanction.

The Corporate Fraud Unit, in conjunction with Internal Audit and Human Resources (including HR+ advisory service) continues to work with Council Departments, to keep instances of fraud, theft and/or financial irregularity, by Council employees, to a minimum.

3.2.4 Working in partnership

In February 2016 the Corporate Fraud Unit undertook a pilot with Wakefield Metropolitan District Council to jointly deliver fraud investigation services, with a single investigation team, managed by Bradford Council. Despite the success of the partnership, Wakefield Council regrettably chose to dissolve these arrangements in December 2017.

The Council's Legal Services team has been a key partner in the Council's counter fraud approach as it has provided specialist advice, support and services and ensured compliance with all relevant legislation pertaining to the prevention, detection and investigation of fraud, corruption and theft (for example the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Regulation of Investigatory Powers Act 2000, Data Protection Acts 1998 and 2018 and the General Data Protection Regulations).

3.2.5 Working with the DWP (Fraud & Error Prevention Service)

Whilst the Council no longer has responsibility for investigating Housing Benefit fraud the Corporate Fraud Unit continues to work with the DWP to jointly combat fraud in Housing Benefit and Bradford Council's Council Tax Reduction scheme (CTR).

During the financial year 2017/18 – 26 cases have been investigated jointly resulting in 7 successful prosecutions, 4 administrative penalties and 11 others where overpayments have been identified. There are currently a further 21 cases where prosecution action has been agreed and the cases are awaiting a court date.

3.2.6 Working with Registered Social Landlords

Bradford Council continues to be an active member of the Yorkshire and Humberside Tenancy Fraud Forum where we are able to share expertise and best practice with other Local Authorities around the region for tackling Social Housing Tenancy Fraud (SHTF) as well as establishing relationships with other parties working in the field, including Housing Providers.

The CFU has developed a working relationship with a number of social landlords in Bradford and we continue to work collaboratively investigating allegations of Tenancy Fraud. The CFU have delivered 23 SHTF training/awareness sessions to the employees of registered providers since April 2014 and have carried out numerous investigations into SHTF and to date 40 properties have been returned for rightful occupation.

3.3 Excellence in Counter Fraud 2017

Following the submission of an application to the Institute of Revenues Rating & Valuations awards, in June 2017, Bradford Council's Corporate Fraud Unit were shortlisted in the Excellence in Counter Fraud category along with 5 other Councils, including Edinburgh and Oxford Councils, and at a ceremony in October 2017 Bradford's Corporate Fraud Unit were declared the winner of this coveted national award.

4. FINANCIAL & RESOURCE APPRAISAL

In 2017/18 the Corporate Fraud Unit consisted of 7 staff (6.6 full time equivalent) -
1 manager/supervisor, 4 investigators and 2 support staff and the total cost of running the unit was £424,409.

In the last two financial years, 2016/17 and 2017/18, the Corporate Fraud Unit identified losses amounting to in excess of £1.3m. Of this around £1m was actual recoverable financial overpayments obtained through fraud, theft or other financial irregularity and the remaining a notional loss* from recovering properties, subject to tenancy fraud and preventing the misuse and abuse of Disabled Persons Parking (Blue Badge).

*National Fraud Authority notional loss £18,000 per annum per property relating to Social Housing Tenancy Fraud and National Fraud Authority notional loss £499 relating to Disabled Persons Parking Misuse

The value of having a dedicated Corporate Fraud Unit should not be assessed purely on the identified losses but consideration must also be given to the deterrent factor which having a dedicated Unit brings.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There are no significant risks arising.

6. LEGAL APPRAISAL

There are no legal issues arising from the contents of this Report.

The Council has a power under section 222 Local Government Act 1972 to bring legal

proceedings before the Court ‘’in the interests of the inhabitants of its district.” The Council would not prosecute if there is insufficient admissible and cogent evidence to support a realistic prospect of conviction and/or it is not in the public interest to prosecute.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

Some high level profiling is used to inform a risk based approach to investigation and to ensure the effective allocation of resources. However, all decisions on investigations are made on the facts of the case only.

7.2 SUSTAINABILITY IMPLICATIONS

There are no sustainability implications

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.4 COMMUNITY SAFETY IMPLICATIONS

The reduction of all crime, including fraud, corruption and /or theft, contributes to improving community safety.

7.5 HUMAN RIGHTS ACT

The Council’s current counter fraud approach complies with the Human Rights Act, in particular in relation to surveillance and the right to privacy. All surveillance operations are formally approved in compliance with the Regulation of Investigatory Powers Act and Council protocols.

7.6 TRADE UNION

There are no trade union issues from the contents of this Report.

7.7 WARD IMPLICATIONS

Counter fraud information is available by ward area if required.

7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

N/A

7.9 IMPLICATIONS FOR CORPORATE PARENTING

N/A

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

N/A

10. RECOMMENDATIONS

That the Committee notes the performance information contained within this report.

11. APPENDICES

None

12. BACKGROUND DOCUMENTS

None

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Assistant Director of Finance and Procurement to the meeting of Governance and Audit Committee to be held on 27 September 2018.

P

Subject:

Annual Treasury Management Report 2017/18

Summary statement:

This report shows the Council's Treasury Management activities for the year ending 31 March 2018

Andrew Crookham
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Report Contact: David Willis
Phone: (01274) 432361
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Portfolio:
Leader

Overview & Scrutiny Area:

Corporate

Annual Treasury Management Report 2017/18

1. Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2017/18 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 18/07/2017).
- A mid-year (minimum) treasury update report (Council 12/12/2017).
- An annual review following the end of the year describing the activity compared to the strategy (this report).

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the full Council.

2.1 The Economy and Interest Rates

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back their expenditure. However, growth did pick up modestly in the second half of 2017.

Consequently, market expectations during the autumn rose significantly that the Monetary Policy Committee (MPC) would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%. The 8 February MPC meeting minutes then revealed another

sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected.

Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017/18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets.

2.2 Overall Treasury Position as at 31 March 2018

At the beginning and the end of 2017/18 the Council's treasury, (including borrowing by PFI and finance leases), position was as follows:

	31 March 2017 Principal	31 March 2018 Principal
Borrowing	£336m	£326m
PFI and other finance leases	£186m	£178m
Total debt	£522	£504m
CFR	£653m	£669m
Over / (under) borrowing	(£131m)	(£165m)
Total investments	£50m	£35m
Net debt	£472m	£469m

The Strategy for 2017/18

The expectation for interest rates within the treasury management strategy for 2017/18 anticipated that Bank Rate would not start rising from 0.25% until quarter 2 2019 and then only increase once more before 31March 2020. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017/18 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be

dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

During 2017/18, longer term PWLB rates were volatile but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk. However the Council continued to monitor projected interest rates against projected capital spend. There is a need to balance against taking borrowing to 'lock in' long term borrowing at historically low rates and mitigate against the risk of delaying borrowing at higher rates.

2.3 The Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The CFR represents the sum of historic borrowing required to fund the Councils capital investment less any provision made for the repayment of that debt through the Minimum Revenue Provision (MRP). This does not necessarily equate to external borrowing as the Council can use its own cash balances to fund its borrowing requirements. Where this occurs it is sometimes referred to as being "under borrowed" as if those cash balances are exhausted the Council would need to go out and borrow externally.

	31 March 2017 Actual	31 March 2018 Budget	31 March 2018 Actual
Capital Financing Requirement	£653m	£675m	£669m

2.3.1 Minimum Revenue Provision Policy Update

The MRP is the amount of principal capital repayment that is set aside each year in order to repay the CFR based on the requirement of statutory regulation and the Council's own accounting policies.

The Council's 2017/18 MRP Policy (as required by the Ministry of Housing, Communities and Local Government (MHCLG) Guidance) was approved as part of the Capital Investment Plan on 23 February 2017. Following a review to ensure the policy complied with the statutory duty to make a prudent provision it has been amended and approved by Council on the 17th July 2018.

The Council's 2017/18 MRP Policy reviewed and approved by Full Council (23 February 2017) was:

a) The policy for charging MRP on historic supported borrowing is on the asset life method calculated on an equal instalment basis over 50 years.

b) Unsupported or prudential borrowing MRP is based on the Asset Life method – that is, the expenditure financed from borrowing is divided by the expected asset life. For schemes funded before 31st March 2012 the MRP is calculated on the annuity basis and for schemes funded after 1st April 2012 the MRP is calculated on an equal instalment basis.
c) Since 2009-10 the appropriate financing costs for the Council's Building Schools for the Future (BSF) Private Finance Initiative (PFI) schemes have been included in MRP calculations. Appropriateness includes an on going consideration of asset lives.

The policy change to historic supported borrowing was introduced in 2016-17. Prior to this, MRP for capital expenditure pre 1 April 2008 was charged at 4% on a reducing balance basis. At this time the change to the policy was not applied backwards to 2008.

Following an MRP review, two changes have been approved to the policy. These are:

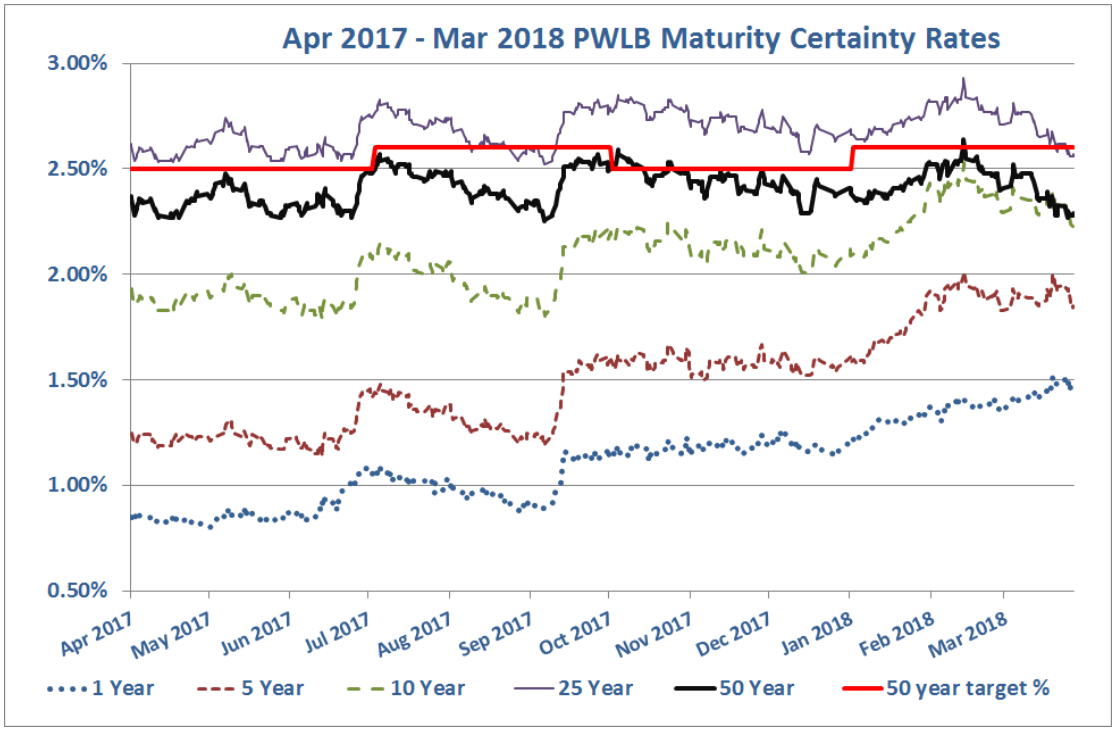
- To apply the 2% straight line method on its historic supported borrowing back to 2008-09 from 2017/18.
- The future charge for PFI schools from 2018/19 onwards being calculated using asset lives.

2.4 Borrowing Rates in 2017/18

PWLB certainty maturity borrowing rates: as depicted in the graph below and tables in appendix 3, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March.

During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4.

The graph for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



2.5 Borrowing Outturn for 2017/18

Borrowing is undertaken to fund net unfinanced capital expenditure and naturally maturing debt and also to maintain cash flow liquidity requirements. Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year. The Council maintained an under borrowed position, using internal cash balances to fund spend.

Rescheduling

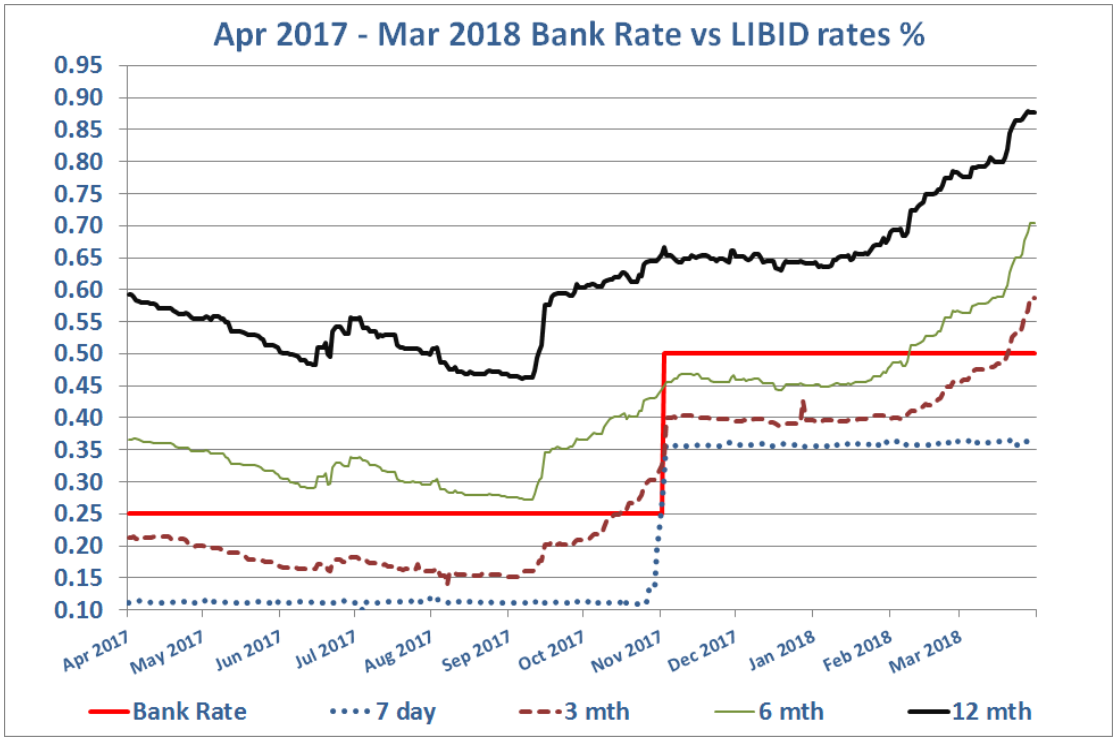
The Council did not engage in any debt-rescheduling during 2017/18 as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable, as the premium calculation we pay would increase.

Repayments

On 10/02/18 the Council repaid £10m at a rate of 4.5% using investment balances. The maturity of this loan results in an annual saving of 450k in interest.

2.6 Investment Rates in 2017/18

Investments rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2.11.17 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28 February 2018.



Investment Outturn for 2017/18

Investment Policy – the Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy which will be approved by full council on 16/10/18. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Investments held by the Council - the Council maintained an average balance of £66m of internally managed funds. The internally managed funds earned an average rate of return of 0.4%. This compares with a budget assumption of £85m investment balances earning an average rate of 0.6%. The comparable performance indicator is the average 7-day LIBID rate which was 0.22%.

2.8 Other issues

2.8.1 Revised CIPFA Code

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sector Guidance Notes, and a revised Prudential Code.

A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Council at a much higher level than can be attained by treasury investments. One recommendation was that local authorities should produce a new report to Members to give a high level summary of the overall capital strategy and to enable Members to see how the cash resources of the Council have been apportioned between treasury and non-treasury investments.

An Investment Advisory Group is being set up to oversee a strategy for generating income from investment in non-financial assets such as investment property (9 January 2018 Executive, A Strategy for Growth in income for Council Tax, Business Rates and Investment). Officers will report to Members when the implications of these new codes have been assessed as to the likely impact on this Council.

An initial Corporate Capital Strategy was approved in the Capital Investment Plan 2018/19 to 2021/22 (Executive 20 February 2018). This was in advance of the requirement set out in statutory guidance to prepare a Capital Strategy from 2019/20. However, the Council will further develop its Corporate Strategy for 2019/20, covering the following issues:

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how the associated risk is managed.
- The implications for future financial sustainability.
- Capital expenditure, investments and liabilities and treasury management.
- Value for money, prudence, sustainability and affordability.

2.8.2 Markets in Financial Instruments Directive II (MiFID II)

The EU set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This has had little effect on this Council apart from having to fill in forms

sent by each institution dealing with this Council and for each type of investment instrument we use, apart from for cash deposits with banks and building societies.

3. Other considerations

None

4. Financial and Resources Appraisal

4.1 The financial implications are set out in section 2 of this report

5. Risk Management and Governance Issues

5.1 The principal risks associated with treasury management are:

Risk: Loss of investments as a result of failure of counterparties.

Mitigation: Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties.

Risk: That the council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).

Mitigation: Ensuring that a minimum proportion of investments are held in short term investments for cashflow purposes.

Risk: Increase in the net financing costs of the Council due to borrowing at high rates of interest.

Mitigation: Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking mostly long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).

Risk: Associated with cash management, legal requirements and fraud.

Mitigation: These risks are managed through:

i) Treasury Management Practices covering all aspects of Treasury management procedures including cashflow forecasting, documentation, monitoring, reporting and division of duties.
ii) All Treasury management procedures and transactions are subject to inspection by internal and external auditors.
iii) The council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

6. Legal Appraisal

6.1 Any relevant legal considerations are set out in the report

7. Other Implications

7.1 Equality & Diversity – no direct implications
7.2 Sustainability implications – no direct implications
7.3 Green House Gas Emissions Impact – no direct implications
7.4 Community safety implications – no direct implications
7.5 Human Rights Act – no direct implications
7.6 Trade Unions – no direct implications
7.7 Ward Implications – no direct implications
7.8 Implication for Corporate Parenting – no direct implications
7.9 Issues arising from Privacy Impact Assessment– no direct implications

8. Not for publications documents – none

9. Options

9.1 None

10. Recommendations

10.1. Be noted by Governance and passed to the full council meeting on 16th October 2018 for adoption.

10.2 Note the change in the MRP Policy approved at the Council meeting on 17th July 2018

11. Appendices

Appendix 1: Prudential and treasury indicators
Appendix 2: Graphs
Appendix 3: Borrowing and investment rates
Appendix 4: Money market investment rates 2017/18

12. Background Documents

Treasury Management Schedules
Treasury Management Practices
Treasury Policy

Appendix 1: Prudential and treasury indicators

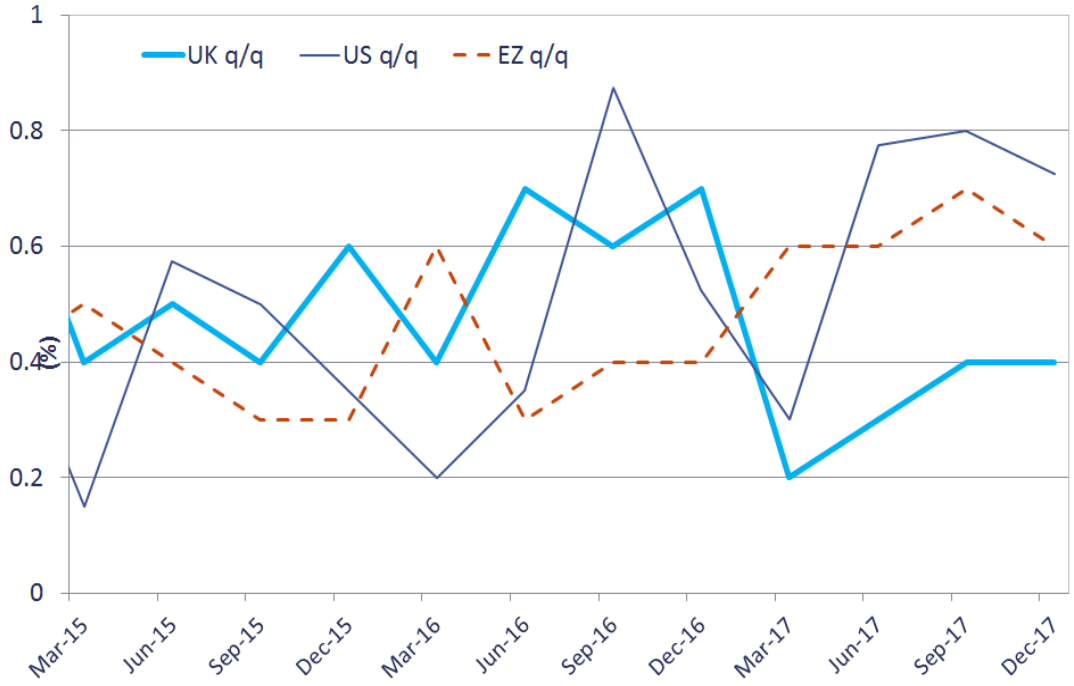
1. **PRUDENTIAL INDICATORS**	**2016/17 Actual £'m**	**2017/18 Original £'m**	**2017/18 Actual £'m**
Capital Expenditure	£61.5m	£124m	£72.9m
Ratio of financing costs to net revenue stream	15.9%	16.2%	15.8%
Gross borrowing requirement General Fund	£336m	£341m	£326m
Capital Financing Requirement	£653m	£675m	£669m

2. TREASURY MANAGEMENT INDICATORS	2016/17 actual £'m	2017/18 original £'m	2017/18 actual £'m
Authorised Limit for external debt -			
borrowing	£336m	£440m	£326m
other long term liabilities	£186m	£240m	£178m
TOTAL	£522m	£680m	£504m
Operational Boundary for external debt -			
borrowing	£336m	£400m	£326m
other long term liabilities	£186m	£220m	£178m
TOTAL	£522m	£620m	£504m
Actual external debt	£336m	£341m	£326m
Upper limit for fixed interest rate exposure	175%	175%	175%
Upper limit for variable rate exposure	+20 %	+20%	+20%
Upper limit for total principal sums invested for over 365 days (per maturity date)	£0m	£20m	£0m

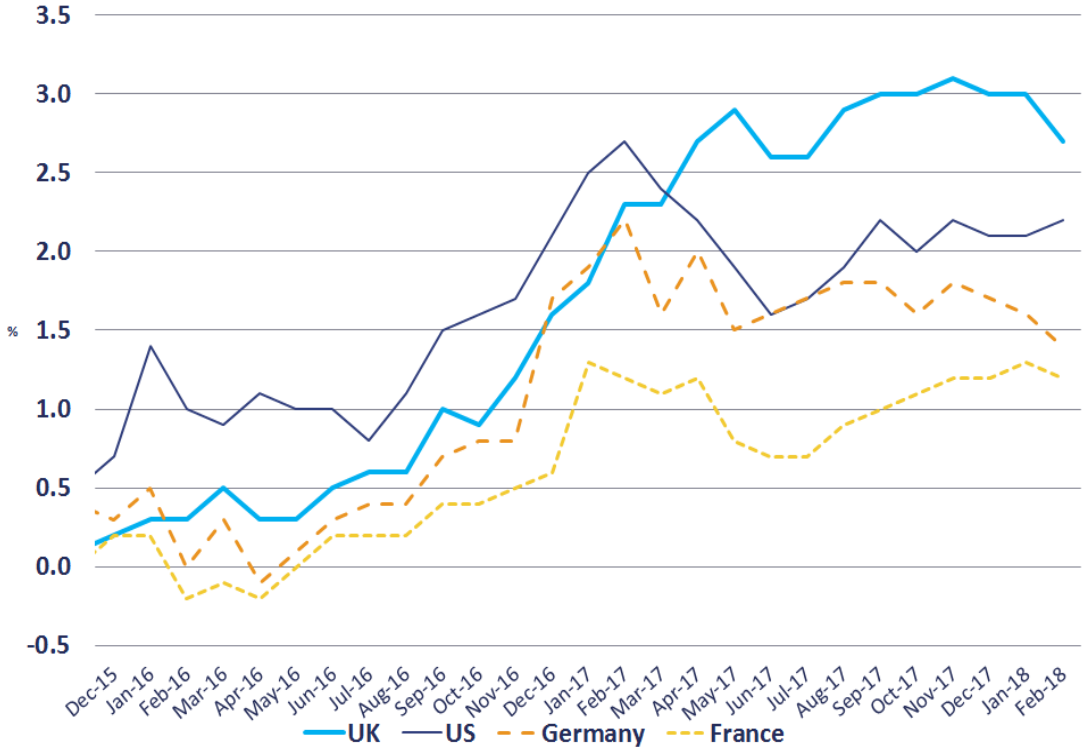
Maturity structure of fixed rate borrowing during 2017/18	upper limit	lower limit
under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	90%	0%
20 years and within 30 years	90%	0%
30 years and within 40 years	90%	0%
40 years and within 50 years	90%	0%

Appendix 2: Graphs

UK, US and EZ GDP growth

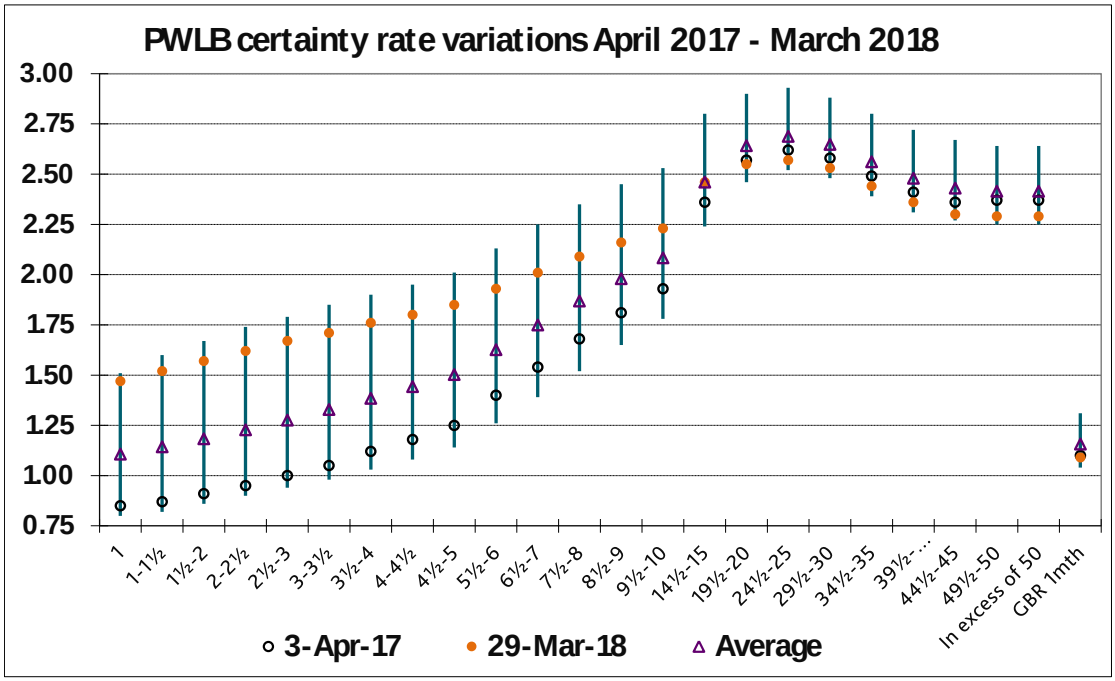


Inflation UK, US, Germany and France



Appendix 3: Borrowing and investment rates

1. PWLB borrowing rates



	1	1-1.5	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
3/4/17	0.850%	0.870%	1.000%	1.120%	1.250%	1.930%	2.620%	2.370%	1.100%
29/3/18	1.470%	1.520%	1.670%	1.760%	1.850%	2.230%	2.570%	2.290%	1.090%
High	1.510%	1.600%	1.790%	1.900%	2.010%	2.530%	2.930%	2.640%	1.310%
Low	0.800%	0.820%	0.940%	1.030%	1.140%	1.780%	2.520%	2.250%	1.040%
Average	1.107%	1.143%	1.276%	1.384%	1.503%	2.083%	2.688%	2.415%	1.157%
Spread	0.710%	0.780%	0.850%	0.870%	0.870%	0.750%	0.410%	0.390%	0.270%
High date	21/03/2018	21/03/2018	21/03/2018	21/03/2018	15/02/2018	15/02/2018	15/02/2018	15/02/2018	21/03/2018
Low date	03/05/2017	03/05/2017	30/05/2017	15/06/2017	15/06/2017	15/06/2017	08/09/2017	08/09/2017	04/04/2017

	1 Year	5 Year	10 Year	25 Year	50 Year
1/4/17	0.85%	1.25%	1.93%	2.62%	2.37%
31/3/18	1.47%	1.85%	2.23%	2.57%	2.29%
Low	0.80%	1.14%	1.78%	2.52%	2.25%
Date	03/05/2017	15/06/2017	15/06/2017	08/09/2017	08/09/2017
High	1.51%	2.01%	2.53%	2.93%	2.64%
Date	21/03/2018	15/02/2018	15/02/2018	15/02/2018	15/02/2018
Average	1.11%	1.50%	2.08%	2.69%	2.41%

Appendix 4 Money market investment rates 2017/18

	7 day	1 month	3 month	6 month	1 year
1/4/17	0.111	0.132	0.212	0.366	0.593
31/3/18	0.364	0.386	0.587	0.704	0.878
High	0.366	0.390	0.587	0.704	0.879
Low	0.099	0.122	0.140	0.273	0.461
Average	0.215	0.233	0.286	0.401	0.606
Spread	0.267	0.268	0.447	0.432	0.418
High date	27/2/18	22/3/18	29/3/18	29/3/18	28/3/18
Low date	4/7/17	10/8/17	7/8/17	7/9/17	6/9/17

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Assistant Director Finance and Procurement to the meeting of Governance and Audit Committee to be held on 27 September 2018.

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Subject:

Treasury Management Mid Year Review up to 31 August 2018.

Summary statement:

This report shows the Council's Treasury Mid Year Review up to 31 August 2018.

Andrew Crookham
Assistant Director Finance and Procurement

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Portfolio:
Leader

Overview & Scrutiny Area:

Corporate

Treasury Management Review up to 31st August 2018

1.1 Background

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

> "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) was adopted by this Council.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Governance and Audit Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2018/19 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council's capital position (prudential indicators).

- A review of the Council's borrowing strategy for 2018/19.
- A review of any debt rescheduling undertaken during 2018/19.
- A review of compliance with Treasury and Prudential Limits for 2018/19.
- A review of the Council's investment portfolio for 2018/19.

2 Economics and interest rates

2.1 Economics update

UK The economy has bounced after temporary factors saw a slow start to the year. With consumer spending growth likely to be boosted by falling inflation, GDP should post reasonable expansion over the quarters ahead. Indeed, the consumer sector has driven the Q2 recovery, with retail sales growing strongly, helped by the Royal Wedding, good weather and the World Cup. The recent pick up in oil prices may, though, rein in growth in real wages. There could also be a temptation for households to start to save, having run down savings over the last year or so as the squeeze has hit finances. Consumer confidence levels are certainly consistent with solid spending growth, while the labour market should underpin spending.

The boost from exports, on the back of a post referendum decline in the value of Sterling, has continued to dissipate, so net trade's input to growth may diminish. However, investment should grow and survey evidence indicates that firms' investment intentions remain high. With capacity constraints now a factor, the incentive to invest is obvious. Commentators still hope the UK/EU to deliver a status quo transition period, which will lead to some form of free trade agreement a further couple of years down the line. However, failure of negotiations and/or a change in government would be significant for the outlook. On the basis that these conditions are met, analysts are looking at reasonable growth in the coming years.

During January and February financial markets were viewing a Bank Rate increase at the May Monetary Policy Committee (MPC) meeting as likely to be a near certainty after strong growth in the second half of 2017. However, the ensuing weeks before the meeting saw opinion turn right around and the MPC did not disappoint by leaving rates unchanged due to concerns as to whether the weak growth in quarter 1 was indicative of the start of a prolonged slow down or just a temporary blip, to which bad weather had been just one contributor. Since May, opinion changed to an expectation of increase in August which duly happened with the bank rate now standing at 0.75%.

However, there remains much uncertainty around the Brexit negotiations, consumer spending levels and business investment, so it is still far too early to be confident about how strong growth and inflationary pressures will be over the next two years, and therefore the pace of any rate increases.

EU Growth in the bloc has slowed markedly from 2017, with Q2 GDP coming in lower than hoped, and at 0.3% the weakest for two years. Despite providing massive monetary stimulus, underlying price pressures remain weak. This comes despite headline inflation breaching the 2% target, resulting in gains across most of the bloc. However, Germany and Spain are exceptions. Gains are largely down to higher oil price effects on energy inflation. Core inflation has also edged a little higher but remains some way short of 2%.

Gains have been, in part, due to the timing of public holidays, and current increases should not indicate an upward trend in price pressures. At its June meeting, the ECB announced it would halve its monthly quantitative easing purchases from €30bn to €15bn, and then end all purchases after December. It is unlikely to make a start on increasing interest rates until late in 2019.

USA Annualised Q2 GDP growth is projected to improve to 4.5% on a recovery in consumption growth and a healthier contribution from net exports. There is no apparent impact from the US tariff impositions as iron and steel production slowed over the month. The boost when it comes, will likely be more than offset by the impact on those areas which rely on metal The Fed has started on an upswing in rates with seven increases since the first one in December 2015, the latest one being in June 2018 to lift the central rate to 1.75 – 2.00%. There could be a further two or more increases in 2018. In October 2017, the Fed became the first major western central bank to make a start on unwinding quantitative easing by phasing in a gradual reduction in respect of reinvesting maturing debt.

China Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan The best economic run, (of positive growth for eight quarters), since the 1980s came to an end in quarter 1 with a contraction of -0.6% blamed on weak exports. However, it is still struggling to get inflation up to its target rate of 2% despite huge monetary and fiscal stimulus, with inflation falling to only 0.4% in May. It is also making little progress on fundamental reform of the economy.

2.2 Interest rate forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The MPC increased interest rates on the 2 August 2018 from 0.50% to 0.75%. It is not thought that the MPC will increase Bank Rate, ahead of the deadline in March for Brexit. It is also felt that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by the next increases in May and November 2020 to reach 1.5%.

The financial markets are expecting the next increase in Bank Rate to be in February 2019 and then only one more in February 2020, therefore ending March 2021 at only 1.25%. The MPC commented that the markets were too cautious with their view of the pace of increases.

However, and this is a very big caveat, the forecasts above by the MPC and Link Asset Services are predicated on an assumption that sufficient progress is made, in respect of negotiations, to produce a reasonable agreement for Brexit that benefits both the EU and the UK in a sensible manner. If no agreement is reached at all, then our forecasts for increases in Bank rate and PWLB rates will be subject to greater change, most likely downwards.

2.3 Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement (TMSS) for 2018/19 was noted by Governance and Audit on 22nd March 2018 and passed through for approval by the Council on 16th October. The underlying TMSS approved previously, requires revision in the light of a review of the Minimum Revenue Provision (MRP) Policy during 2017/18. The changes are set out below:

Minimum Revenue Provision Policy Update

The MRP is the amount of principal capital repayment that is set aside each year in order to repay the CFR based on the requirement of statutory regulation and the Council's own accounting policies.

The Council's 2017/18 MRP Policy (as required by the Ministry of Housing, Communities and Local Government (MHCLG) Guidance) was approved as part of the Capital Investment Plan on 23 February 2017. Following a review to ensure the policy complied with the statutory duty to make a prudent provision it has been amended and approved by Council on the 17th July 2018.

The Council's 2017-18 MRP Policy reviewed and approved by Full Council (23 February 2017) was:

a) The policy for charging MRP on historic supported borrowing is on the asset life method calculated on an equal instalment basis over 50 years.
b) Unsupported or prudential borrowing MRP is based on the Asset Life method – that is, the expenditure financed from borrowing is divided by the expected asset life. For schemes funded before 31st March 2012 the MRP is calculated on the annuity basis and for schemes funded after 1st April 2012 the MRP is calculated on an equal instalment basis.
c) Since 2009-10 the appropriate financing costs for the Council's Building Schools for the Future (BSF) Private Finance Initiative (PFI) schemes have been included in MRP calculations. Appropriateness includes an on going consideration of asset lives.

The policy change to historic supported borrowing was introduced in 2016-17. Prior to this, MRP for capital expenditure pre 1 April 2008 was charged at 4% on a reducing balance basis. At this time the change to the policy was not applied backwards to 2008.

Following an MRP review, two changes have been approved to the policy.
These are:

- To apply the 2% straight line method on its historic supported borrowing back to 2008-09 from 2017/18.
- The future charge for PFI schools from 2018/19 onwards being calculated using asset lives.

2.4 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans.
- How these plans are being financed.
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow.
- Compliance with the limits in place for borrowing activity.

2.4.1. Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	**2018/19 Original Estimate £m**	**Current Position 31 August 2018 £m**	**2018/19 Revised Estimate £m**
Total capital expenditure	£176m	£27m	151m

2.4.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	**2018/19 Original Estimate £m**	**2018/19 Revised Estimate £m**
Total capital expenditure	£176m	£151m
Financed by:		
Capital receipts	£8m	£4m
Capital grants	£61m	£70m
Capital reserves	£0m	£1m
Revenue	£3m	£1m
Total financing	£72m	£76m
Borrowing requirement	**£104m**	**£75m**

Projected changes to the Capital Programme have resulted in a reduced new borrowing requirement of £29m.

2.4.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It is essentially a measure of the Council's indebtedness and so the underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The table also shows the expected debt position over the period, which is termed the Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed.

	2018/19 Original Estimate £m	**2018/19 Revised Estimate £m**
Prudential Indicator – Capital Financing Requirement		
Total CFR	£745m	£740m
Net movement in CFR		-£5m
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	£400m	£363m
Other long term liabilities	£200m	£178m
Total debt (year end position)	**£600m**	**£541m**

2.4.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

The Assistant Director of Finance and Procurement reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

	2018/19 Original Estimate £m	**Current Position 31 August £m**	**2018/19 Revised Estimate £m**
Borrowing	£417m	£313m	£363m
Other long term liabilities	£174m	£178m	£178m
Total debt	**£591m**	**£491m**	**£541m**
CFR (year end position)	£745m		£740m

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	**2018/19 Original Indicator £m**	**2018/19 Revised Estimate £m**
Borrowing	£420m	£363m
Other long term liabilities	£220m	£178m
Total	**£640m**	**£541m**

2.4.5 Borrowing

The Council's capital financing requirement (CFR) for 2018/19 is expected to be slightly below the original forecast of £745m; due to changes in the profiling of spend. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council currently has borrowings of £491m and has utilised cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

The current context, though, is that the Council's cash balances are reducing and there is a future draw on cash from the Capital Investment Plan. Based on the revised estimate for capital expenditure current projections are that the Council will need to borrow an additional £50m this year. Cash balances and capital spend will be closely monitored and projected forward. If it is felt that cash balances are getting too low or likely to be too low in the future, borrowing will be undertaken in appropriate tranches. In deciding the appropriate tranches of borrowing, caution will be exercised in projecting forward capital spend.

£9.4m of loans have matured in May and August 2018. However it is anticipated that borrowing will be undertaken during this financial year to finance commitments in the capital plan.

2.4.6 Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

2.5 Investment Portfolio 2018/19

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by forecasts in section 2.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

The Council held £37m of investments as at 31st August 2018 (£35m at 31 March 2018) and the investment portfolio yield for the first 5 months of the year is 0.66% against a benchmark of LBID one week of 0.43%. £4.9m in Euro's is also held in our Euro account in connection with the Waste Disposal Contract.

The Assistant Director of Procurement and Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first 5 months of 2018/19.

The Council's budgeted investment performance for the year to date is expected to be below budget.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

2.6 School Bank Balances

Bradford schools have their own individual bank accounts spread across the four main UK Banks. At 31 March 2018 the overall bank balances with Lloyds was £17.54m, Barclays £4.89m, HSBC £1.65m and Nat West £1.61m.

At the last Treasury report the issue of the UK banks going through legislative changes put in place by the government aimed at strengthening the financial system was raised. One of these reforms is to separate the retail banking (ringfenced bank) from investment banking (unringfenced). All of the four major banks have had to go through this process.

The school balances will be in the retail or ringfenced part of the bank for Lloyds, Nat West and HSBC but not for Barclays.

This raises the following issues.

i) The credit rating for the Barclays unringfenced part of the bank is lower than for the ring fenced bank.
ii) If the credit rating was to reduce in the future it could be below the Council's credit limit.

Schools converting to Academies

Of the schools with Barclays, 8 out of 32 are expected to convert to academies during 2018-19 (these schools hold balances of £1.18m). We expect further conversions on an ongoing basis and for cash balances held by schools in their bank accounts to steadily reduce as a result .Once converted to academies their bank balances no longer count towards the Council Treasury limits.

2.6.1 With the above changes in status for the schools and the reduction in school balances, it is proposed that the school balances continue to have a temporary exemption from the Treasury Policy until the main academy conversion process has been finished.

3. Other considerations

3.1 None

4. Financial and Resources Appraisal

4.1 The financial implications are set out in section 2 of this report

5. Risk Management and Governance Issues

5.1 The principal risks associated with treasury management are:

Risk: Loss of investments as a result of failure of counterparties.

Mitigation: Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties.

Risk: That the council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).

Mitigation: Ensuring that a minimum proportion of investments are held in short term investments for cashflow purposes.

Risk: Increase in the net financing costs of the Council due to borrowing at high rates of interest.

Mitigation: Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking mostly long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).

Risk: Associated with cash management, legal requirements and fraud.

Mitigation: These risks are managed through:

i) Treasury Management Practices covering all aspects of Treasury management procedures including cashflow forecasting, documentation, monitoring, reporting and division of duties.
ii) All Treasury management procedures and transactions are subject to inspection by internal and external auditors.

iii) The council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

6. Legal Appraisal

6.1 Any relevant legal considerations are set out in the report

7. Other Implications

7.1 Equality & Diversity – no direct implications

7.2 Sustainability implications – no direct implications

7.3 Green house Gas Emissions Impact – no direct implications

7.4 Community safety implications – no direct implications

7.5 Human Rights Act – no direct implications

7.6 Trade Unions – no direct implications

7.7 Ward Implications – no direct implications

7.8 Implication for Corporate Parenting – no direct implications

7.9 Issues arising from Privacy Impact Assessment– no direct implications

8. Not for publications documents – none

9. Options

9.1 None

10. Recommendations

10.1. That the details in section 2.6.1 be noted by Governance and passed to the full council meeting on 16 October 2018 for adoption.

11. Appendices

Appendix 1Prudential and Treasury Indicators as at 31st August 2018

12. Background Documents

Treasury Management Schedules

Treasury Management Practices

Treasury Policy

APPENDIX 1: Prudential and Treasury Indicators as at 31st August 2018

Treasury Indicators	**2018/18 Budget £m**	**(Apr - Aug) Actual £m**
Authorised limit for external debt	£640m	£640m
Operational boundary for external debt	£600m	£600m
Gross external debt	£591m	£491m
Upper limit for principal sums invested over 365 days	£20m	£0m

Maturity structure of fixed rate borrowing -	**Upper Limit**	**(Apr-March) Actual**
Under 12 months	20%	2%
12 months to 2 years	20%	4%
2 years to 5 years	50%	7%
5 years to 10 years	75%	18%
10 years and above	90%	69%

Prudential Indicators	**2018/19 Budget £m**	**(Apr - Aug) Actual £m**
Capital expenditure (Revised Budget)	£151m	£27m
Capital Financing Requirement (CFR)	£745m	£740m
Ratio of financing costs to net revenue stream	16%	16%

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Assistant Director Finance and Procurement to the meeting of the Governance and Audit Committee to be held on 27 September 2018.

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Subject:

INTERNAL AUDIT ANNUAL REPORT 2017/18

Summary statement:

This report reviews the service Internal Audit has provided to the Council during the financial year 2017/18.

Andrew Crookham
Assistant Director
Finance and Procurement

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Portfolio

Corporate

Improvement Area:

Corporate

1.0 Summary

1.1 The purpose of this report is to inform members of the Governance and Audit Committee (GAC) about the service Internal Audit has provided to the Council during the financial year 2017/18.

In particular Members are advised of the following:-

- Internal Audit completed 81% of the 2017/18 audit plan which, was below the target of 90%. Whilst a proportion of the shortfall related to a drop in the resources available, the main reason for the percentage completed was the level of unplanned audit work required.

- Internal Audit's Client satisfaction identified that 100% of the respondents said that the "recommendations were useful and realistic" and believed that the audit was "of benefit to management."

- 99% of all high priority recommendations made from the work undertaken were accepted by management.

2. BACKGROUND

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

2.2 The Internal Audit Annual Report 2017/18 is contained within Appendix 1.

3. OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION

3.1 Not Applicable.

4 OTHER CONSIDERATIONS

4.1 There are no other considerations.

5. OPTIONS

5.1 Not applicable

6. FINANCIAL AND RESOURCE APPRAISAL

6.1 There are no direct financial consequences arising from this report. The work of Internal Audit adds value to the Council by providing management with an assessment on the effectiveness of internal control systems, making, where appropriate, recommendations that if implemented will reduce risk.

7. RISK MANAGEMENT AND GOVERNANCE ISSUES

7.1 The work undertaken within Internal Audit is primarily concerned with examining risks within various systems of the Council and making recommendations to mitigate those risks. Consideration was given to the corporate risk register when the Audit Plan for 2017/18 was drawn up and any issues on the risk register that relate to an individual audit are included within the scope of the assignment.

7.2 The key risks examined in our audits are discussed with management at the start of the audit and the action required from our recommendations is verified as implemented by Strategic Directors.

8. LEGAL APPRAISAL

8.1 The Accounts and Audit Regulations for 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Council achieves this by complying with the Public Sector Internal Audit Standards (PSIAS) 2017, which it does by following the CIPFA Local Government Application Note.

8.2 Standard 2450 of the PSIAS requires the Head of internal Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control. The annual report must also include a statement on conformance with the Public Sector Internal Audit standards and the results of the quality assurance and improvement programme. This requirement is met by the attached (Appendix 1) Internal Audit Annual Report for 2017/18.

8.3 The Accounts and Audit Regulations 2015 require the Council to undertake at least annually “a review of the effectiveness of its system of internal audit”. The outcome of this review has been included in the Internal Audit Annual Report as well as being part of the evidence to support the Annual Governance Statement.

9. OTHER IMPLICATIONS

9.1 Equality & Diversity

Internal Audit seeks assurance that the Council fulfils its responsibilities in accordance with its statutory responsibilities and its own internal guidelines. When carrying out its work Internal Audit reviews the delivery of services to ensure that they are provided in accordance with the formal decision making process of the Council.

9.2 Sustainability Implications

When reviewing Council Business Internal Audit examines the sustainability of the activity and ensures that mechanisms are in place so that services are provided within the resources available.

9.3 Greenhouse Gas Emissions Impacts

There are no impacts on Gas Emissions.

9.4 **Community Safety Implications**

There are no direct community safety implications.

9.5 **Human Rights Act**

There are no direct Human Rights Act implications.

9.6 **Trade Union**

There are no implications for the Trade Unions arising from the report.

9.7 **Ward Implications**

Internal Audit will undertake specific audits through the year which will ensure that the decisions of council are properly carried out.

9.8 **Implications for Corporate Parenting**

None

9.9 **Issues Arising from Privacy Impact Assessment**

None

10 **NOT FOR PUBLICATION DOCUMENTS**

10.1 None.

11. **RECOMMENDATIONS**

That the Committee recognises and supports the work carried out by Internal Audit during 2017/18.

12. **APPENDICES**

Appendix 1 – Internal Audit Annual Report 2017/18.

13. **BACKGROUND DOCUMENTS**

13.1 Accounts and Audit Regulations 2015.

13.2 Public Sector Internal Audit Standards 2017.

13.3 GAC report 25 April 2017 – Internal Audit Plan 2017/18.

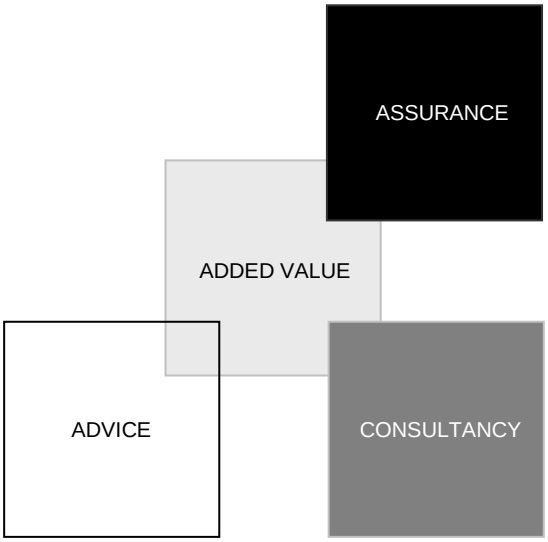
13.4 GAC report 30 November 2017 - Internal Audit Plan 2017/18 Monitoring Report as at 30 September 2017.

APPENDIX 1

INTERNAL AUDIT

ANNUAL REPORT

2017/18



DEPARTMENT OF CORPORATE RESOURCES

INTRODUCTION

The aim of this report is to provide information on the activities of Internal Audit during the financial year 2017/18 and to support the Council's Annual Governance Statement by providing an "Audit Opinion" on the overall adequacy and effectiveness of the Council's internal control environment, its governance processes and risk management systems.

It is not the intention of this report to attempt to give a detailed summary of each audit assignment but to provide a summary of the overall audit activity identifying, whenever appropriate, significant outcomes from the audit work.

The completion and presentation of the Annual Report to Governance and Audit Committee has been completed under the requirements of the Public Sector Internal Audit Standards (PSIAS).

Mark St Romaine

Head of Internal Audit, Insurance, Information Governance and Risk

July 2018

Circulation:-

Members	Governance & Audit Committee
Andrew Crookham	Assistant Director Finance & Procurement
Joanne Hyde	Strategic Director Corporate Resources
Mark Kirkham	Director and Engagement Lead, Mazars
All Staff	Internal Audit

1 INTERNAL AUDIT'S RESPONSIBILITIES AND RELATIONSHIPS

1.1 Governance and Audit Committee (GAC)

The Member responsibility for Internal Audit rests primarily with the GAC.

During the year the following reports were presented to Committee:-

- Internal Audit Annual Report 2016/17
- Internal Audit Plan 2017/18
- Internal Audit Plan 2017/18 Monitoring Report as at 30 September 2017.

The Committee strengthens the Council's Corporate Governance arrangements as well as bringing together the review agencies of both Internal and External Audit to one Member forum.

1.2 Staffing & Resources

In total 1,877 audit days (7.2 FTE) were planned to be available in 2017/18, but 1,810 days (6.9 FTE) were actually delivered (1,873 days delivered in 2016/17). This reduction was due to an Assistant Audit Manager leaving in January 2018 and the computer audit services procured from Wakefield Council not being available in the second half of 2017/18.

From 1st September 2014 Wakefield and Bradford Councils shared a Head of Internal Audit. However in September 2017 Wakefield's Council Management Team determined that this was a route they no longer wished to pursue, including the work that was being completed in relation to Counter Fraud.

1.3 External Audit

In November 2012 Mazars formerly commenced its role as the Council's External Auditors. Work has continued between Internal and External Audit to establish an effective working relationship and develop a framework for co-operation in the planning, conduct and reporting of work.

The 2017/18 Internal Audit Plan was shared with External Audit.

1.4 Public Sector Internal Audit Standards (PSIAS)

On 1st April 2013 the Council was required to comply with the Public Sector Internal Audit Standards (PSIAS). In April 2014 Governance and Audit Committee approved the Council's Internal Audit Charter. The Internal Audit Charter details the purpose, authority and responsibility of Internal Audit with the supporting code of ethics. It details how Internal Audit activity should be completed and how the service should be managed. It links Internal Audit activity with risk management. It also determines reporting arrangements, the management of consultancy engagements and the quality assessment process.

2. SERVICE DELIVERY

2.1 Audit Resources and Coverage

The original audit plan for 2017/18 was approved by GAC on 25 April 2017 and was based on 1,877 days of audit resources. The Internal Audit Monitoring Report presented to GAC on 30 November 2017 noted that after taking into account

Internal Audit's SLA commitment to Wakefield; insurance management and accountancy support to Bradford; its audit provision to West Yorkshire Pension Fund; and its buying in of computer audit service days from Wakefield, Bradford Council would receive circa 1,513 audit days in 2017/18. 1,446 days were actually delivered.

The audit plan was also monitored by assignments completed during the year. Completion of 90% or more of the plan is a positive indicator of the effectiveness of Internal Audit. In 2017/18, Internal Audit achieved 81% of the original plan.

2.2 Reports Issued and Control Environment

All Internal Audit assignments result in an Audit Report which identifies the audit coverage, findings from the audit, risks arising from identified control weaknesses and prioritised audit recommendations. In 2017/18 a total of 74 reports were issued, which was a decrease on the 82 reports issued in 2016/17.

The reports issued in 2017/18 recorded that the percentage of controls satisfied was 74%, a decrease of 3% on the 77% satisfied in 2016/17, but is consistent with the five year average of 74% of controls satisfied. As in 2016/17 the service continued to focus on and require responses only in relation to high priority recommendations. 99% of these recommendations were accepted by management.

Chart One below, shows the total number of audits by type and sections 2.3 onwards explain in more detail the audit coverage and some of the issues arising from the work undertaken during the year. A listing of audit reports issued in 2017/18 by audit type is shown in Appendix A.

Chart One: Showing the Breakdown of Total Reports Produced in 2016/17 and 2017/18 by Audit Type

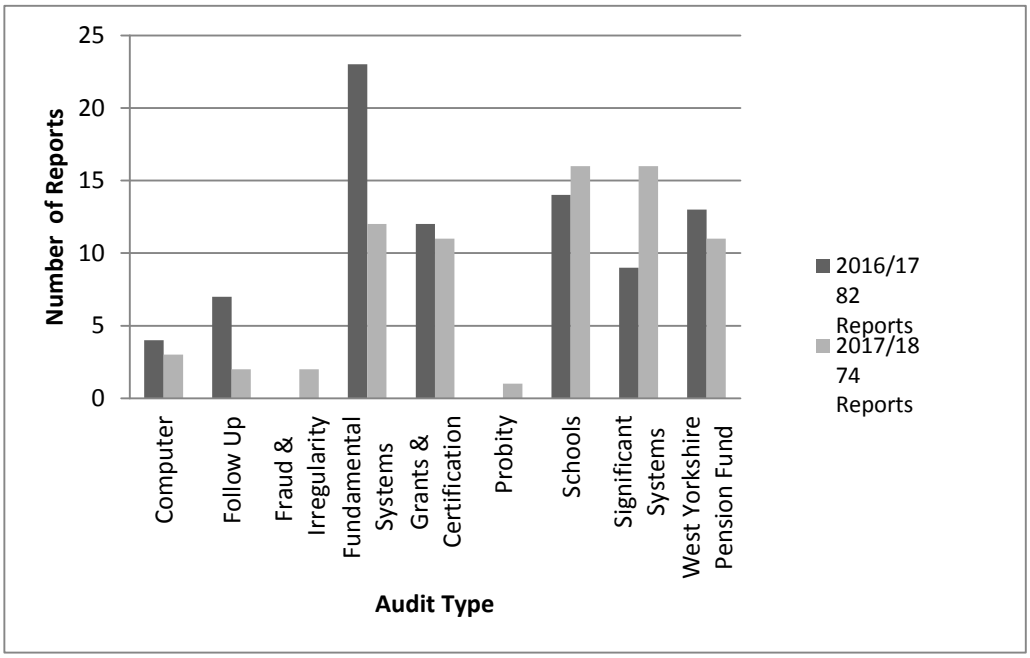


Chart One also shows that in comparison to 2016/17 there was an increase of 7 in the number of significant systems reports issued in 2017/18. Conversely there was a significant reduction of 11 in the number of fundamental systems audit reports

issued in 2017/18. The increase in significant systems audit reports in 2017/18 was due to a payroll variation audit generating seven audit reports. The comparative decrease in fundamental systems report numbers in 2017/18 was mainly due to two fundamental systems audits (Miscellaneous Payments and Purchasing Cards) in 2016/17 generating 11 reports.

Chart Two, below, shows that, from the evaluation of risks and controls in 2017/18, 87% of reports issued that contained an audit opinion had opinions that were satisfactory or above (86% in 2016/17). 76% of the systems examined had either an 'excellent' or 'good' audit opinion (56% in 2016/17). The 'good' opinion becoming the most dominant opinion in 17/18 at 43%.

Chart Two: Breakdown of Audit Opinions 1 April 2015 to 31 March 2018

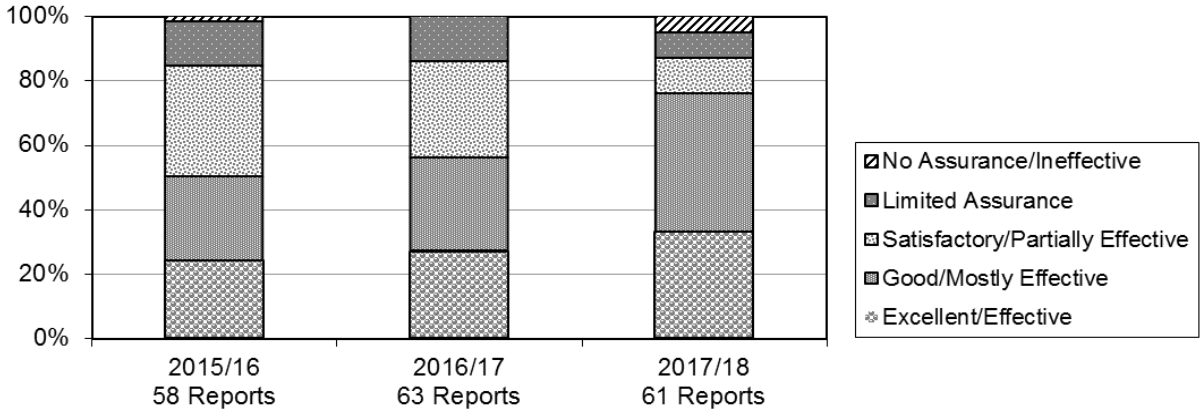


Chart two, also shows that the proportion of reports with less than satisfactory opinions has improved, 13%, being slightly lower than it was in 2016/17 (14%).

The analysis above relates to those reports with opinions. In 2017/18 61 (82%) out of 74 issued reports had an audit opinion, comparing favourably with 63 (77%) out of 82 issued reports in 2016/17.

Opinions are derived from an analysis of the level of control effectiveness in managing the reviewed risks and the number of high priority recommendations within a report. Where reports are produced that do not relate to the planned evaluation of risks and controls, for example in response to requests for advice on specific matters, or in response to known control failures there is often no opinion applied to the report.

2.3 Fundamental Systems

Fundamental financial systems are those that are material to the Council and have a significant impact on the Council's internal control systems and the Council's accounts. The review of these systems provides assurance relating to the main systems operating within the Council and remains a significant part of the audit plan. In 2017/18 12 fundamental systems reports were issued. This was a significant decrease on the 23 reports issued in 2016/17, which was due to two audits in 2016/17 generating 11 reports.

All 12 audit reports had an audit opinion. There was one ineffective opinion relating to the permanent and temporary variations to pay within a service. Three fundamental systems audit reports had a limited assurance opinion. These all related to the same procurement audit, Quotes, Tenders and Contract Award

Process where the audit identified that requirements of the Council's Contract Standing Orders had not been complied with, with the risk that contracts were being awarded to inappropriate suppliers and value for money might not have been achieved.

Of the remaining 8 fundamental system audits, they all had opinions of 'Good' or 'Excellent'.

2.4 Audit Grant and Certification Work

Certain grants received by the Council require an Internal Audit certification to confirm that the expenditure in the previous financial year i.e. 2016/17 was made in accordance with the Grant Determination Letter from the funding body. The number of grants requiring Audit certification in 2017/18 was 9 with a total of 11 reports issued in respect of these. Five Highways related capital grants and the Disabled Facilities Capital Grant all received 'Excellent' opinions.

Audit work on the Bus Subsidy Revenue Grant revealed that, whilst confirming that the funding had been spent in line with the grant conditions, the officer administering the grant had not received the grant determination letter from the funding body which confirms the conditions applied to the funding. As a result there was a lack of awareness that the 2016/17 expenditure required audit certification.

The Troubled Families Grant certification generated 3 reports. One of these related to Internal Audit's input into the review of inclusion and success criteria (the Outcome Plan) for Phase 2 of the Scheme. The other reports related to verification of Phase 2 claims, which included the identification of the need to make prompt claims once individual cases had achieved relevant success criteria.

The Primary PE and Sports Grant was tested at a sample of schools, which established that monies were being spent in accordance with grant objectives and no significant concerns were identified, however, some schools continue to publish insufficient details of grant expenditure and its impact, thereby not complying absolutely with grant conditions.

2.5 Significant Systems

Internal Audit produced 16 reports relating to significant systems of the Council during 2017/18. Significant systems coverage is varied and unique in some cases, and can often result from concerns raised by management.

Examples of the work carried out on significant systems in 2017/18 are shown below:

The audit review of Grants to Voluntary Organisations system gave a 'mostly effective' audit opinion. The audit did however raise one key concern, reported to management, that a cheque for a Community Chest application had been raised in the name of the individual applying, not the name of the Voluntary Organisation.

The review of cash purchasing by Children's Social Care, which spends on average approx. £6800 a week in cash, gave a limited assurance audit opinion and raised 8 high priority recommendations. The audit identified the following key concerns; there was a lack of a process to recover payments made in lieu of benefits; lack of consideration of the use of corporate and other Council contracts

available; alternative payment methods to cash were not considered; loss of the potential to reclaim VAT on cash purchases made.

The audit of the Licensing Service that is responsible for processing, issuing and ensuring compliance with a wide variety of licences and permits resulted in a good audit opinion. The audit did, however, highlight to management the following two key concerns resulting in two high priority recommendations: banking was not confirmed to the SAP Financial and the manual annual fee invoicing process did not provide the necessary assurance that a charge had been made for all income due. In 17/18 invoiced income was £325k.

The review of the risk management arrangements in place for the Corporate Governance Strategic Risk concluded that overall they were mostly effective. The report did highlight to management one key concern, which was that the Executive was not discharging its responsibilities, as stated in the risk management strategy, in respect of monitoring the Council's risk management and internal control arrangements via a reporting process. This issue was initially raised in June 2014 by External Audit and potentially could result in adverse operational, financial and / or reputational consequences for the Council.

The audit of the Housing Options Service that provides a mandatory advice and assistance service to people who are homeless or at risk of homelessness gave a satisfactory audit opinion. The audit identified the following four key audit concerns, which were reported to management: Information held in support of the level of assistance provided to a client may be insufficient and uncorroborated; a privacy impact assessment had not been completed for the service; data sharing agreements were not available for all external partners; strategic success measures are not supported by performance reducing assurance.

2.6 Value Added

Internal Audit, where possible, adds value in the work that it undertakes. The following is a sample of instances during 2017/18 where value has been added.

Audit Work	**Brief Explanation of Savings Identified or Value Added**
ContrOCC / Liquidlogic system implementation and integration	Internal Audit provided ongoing project support to Children's on its implementation of ContrOCC financial management software and integration to existing systems, acting as a 'critical friend', advising on the proposed control environment in advance of implementation in April 2018.
Schools catering contracts	Internal Audit's examination of a Primary school's processes to procure an external catering contract, culminated in the supplier agreeing amendments to the contract, which reduced financial and reputational risks to the school and the Council, and also secured a better transfer under TUPE for the Council staff whom, under the initial contract, were at risk from potential loss of pension rights. The work on the Primary School catering contract also

	identified that the Council's document, Financial Regulations for Maintained Schools needed updating to embrace the full legal effect of the recently introduced Public Contracts Regulations 2015. Once updated this would have a wider positive impact on mitigating relevant procurement risks at all the maintained schools throughout the Bradford District. The updated Financial Regulations for Maintained Schools will be subject to a consultation exercise during 2018/19 before being released later in the year.
SFVS Training	In 2017, Internal Audit provided training to School Governors and staff to support schools' responsibilities for fulfilling DfE requirements relating to School Financial Value Standard (SFVS), building on a course originally delivered in 2015 and then in subsequent years. SFVS in schools confirms that they are practicing good financial management, which contributes to the optimisation of the use of resources. 15 schools that had not previously attended training were represented this year, which means that 97 of the City's schools have attended training since it began. Internal Audit has noted that the quality of the content of SFVS assessment forms completed and submitted to the Council continues to improve each year, particularly in the case of schools who have attended training.
Troubled Families Grant	Internal Audit fully supported the Targeted Early Help Unit when it was subject to a DCLG spot check audit of Payment by Results claims by the Central Government Troubled Families Team, which contributed to the promotion of a better working relationship with this funding body.
Mobile Telephony Follow Up	The audit identified that, across the authority, there were in the region of 2000 unused surplus phones. In some cases (25% of the sample checked) monthly tariffs were still being paid. By applying Audit recommendations for re-use of existing phones and better tariff management the service responsible for telephony management estimated that £70-90k could be saved.

2.7 Significant Concerns

The audit of No Recourse to Public Funds gave a no assurance opinion. As reported in the half year monitoring report to Committee, the service lacked high level direction and governance, resulting in service delivery and resultant costs that were not currently subject to the same level of scrutiny as other areas of social care.

A review of Deprivation of Liberties (DoLS) resulted in an ineffective (no assurance) opinion and two Critical recommendations for management action, as Health & Wellbeing was not coping with demand and was failing to comply with many of the legal requirements of the DoLS Code of Practice, including legal time-scales being breached and applications for authorisation left un-assessed. The

backlog of DoLS applications in the system was growing and out of control, with average end to end processing times being in excess of 300 days, with the majority of the backlog being people who were either being deprived of their liberty without legal authority, or not receiving the level of protection considered by the managing authorities as appropriate to their needs.

The audit review of the Quotes, Tenders and Contract award process (also referred to in section 2.3 above) resulted in a limited assurance audit opinion. The audit identified a number of Departmental Service specific concerns and a concern in respect of Procurement, relating to non-compliance with the Council's Contract Standing Orders. There was also a concern that a service had failed to review the appropriateness of its contract specification for at least 16 years, which may have resulted in poor value for money. These issues, which resulted in five high priority recommendations, were reported both separately to the Services concerned and also to Procurement as it has a role in supporting Services through training and monitoring of compliance with the Council's Contract Standing Orders.

2.8 Follow Up Audits

Internal Audit follows up its audit work as described below:

a) Follow Up Returns from Strategic Directors

During 2017/18 a follow up exercise with the Strategic Directors was undertaken for 65 reports, containing 168 high priority recommendations issued up to 31.03.17 which had not previously been confirmed as actioned. The outcome was initially reported to GAC on 30 November 2017 when the Directors' returns showed a significant fall in the level of implementation compared to the previous year. This was largely due to incomplete returns from both Children's Services and Health & Wellbeing. After receiving the full information from both of those Departments the Directors' returns showed that 63% of reports and 68% of recommendations were fully implemented during the year, which is a decrease from last year's figures (70% and 78% respectively). However, if progress is adjusted to reflect overall progress for each report, including partial completion (as shown on the Covalent system which is used to monitor the recommendations) the total progress of implementation of recommendations has improved slightly from last year (94% compared to 93%).

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

b) Individual Follow Up Audits Undertaken by Internal Audit

During the year 2 follow up audits were completed by Internal Audit and a further 3 were underway at the year end.

Of the completed audits one, relating to mobile telephony management, had improved from an original opinion of limited assurance to that of mostly effective, and the level of implementation was found to be broadly in line with that reported within the Director's return.

The second completed follow up related to potential health and safety issues with a facilities management contractor operating at several Bradford schools and the

connected failure by one these schools to comply with the required tendering procedures in procuring their services. Further details of this are given in the section below.

The outcome of the remaining follow up audits will be reported in the 2018/19 Monitoring Report.

c) Follow Up of Audits reported in the Opinion of the 2016/17 Annual Report

The Audit Opinion of the Internal Audit Annual Report 2016/17 listed three individual areas of concern. These were the Council's procurement arrangements, direct payments to social care clients, and potential health and safety issues with a facilities management contractor operating at several Bradford schools. These areas were planned to be followed up in 2017/18.

During the year Internal Audit committed substantial resources to work relating to procurement arrangements. An audit of the Quotes, Tenders & Contract Award Process resulted in three limited assurance reports. In addition the arrangements in place for appointing and paying a number of specific contractors were reviewed. This identified a number of significant concerns which were shared with the Corporate Fraud Unit (CFU) and incorporated into the CFU's own report on procurement irregularities within Facilities Management. Internal Audit also carried out further work, as required, to support the CFU investigation which has continued into the current financial year, and is also involved in multi-disciplinary projects aimed at improving procurement processes going forward.

The direct payments to social care clients concern was followed up in 2017/18, reporting an ineffective audit opinion on 9.4.18. Unsatisfactory progress has been made on implementing the previously agreed critical and high priority recommendations, with payments continuing where there is no assurance that they are being utilised properly and that the client is receiving their assessed care needs, raising both safeguarding and value for money concerns. The audit observations suggested limiting capacity was the constraint underpinning these key concerns.

During the year the concerns with the facilities management contractor to schools were followed up. As reported to GAC in the Internal Audit Monitoring Report on 30 November 2017 there was a health and safety incident at an academy school in the district where the facilities management contractor was working. This caused injury to 12 pupils and two teachers, including one injury which was reported to the Health and Safety Executive. Internal Audit remains concerned about the reputational risk this poses given that the contractor continues to provide its services in the District and that the contractor's registered office is on the same site as a Bradford school.

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

With respect to the school that did not comply with tendering procedures, as reported in the Monitoring Report, it has stated to management that it intends to undertake a contract and tender process for a new facilities management contract

which will begin in April 2018. Assurances from the school that this actually occurred have been sought but as yet not received by management.

2.9 Schools

a) School Audits

Reports were issued to nine schools which were visited as part of the 2017/18 plan of individual school audits. Schools are included in the audit plan based on their risk score and by default these schools tend to be those which are already experiencing issues and would benefit most from audit input. Opinions varied; one school "Limited Assurance," another "Satisfactory," three "Partially Effective," and four "Mostly Effective."

Internal Audit also published its newsletter "In Control" to all schools via Bradford Schools Online, giving advice and assistance on topical issues in autumn 2017, which included procurement.

b) Schools Financial Value Standard (SFVS)

All maintained schools, excluding those falling within listed exceptions, are required to complete and submit the SFVS self assessment form by the 31st March each year. In turn the Council submits an Assurance Statement signed by the Section 151 Officer to the Department for Education (DfE) before the 31st May. This return details the number of returns received by schools and the number who have not complied.

The SFVS Assurance Statement for 31st March 2018 was forwarded to the Education & Skills Funding Agency (ESFA) on 23rd May 2018; this reported that 116 of the Council's 131 schools had made a return. Of the returns made those indicating full compliance was 57%, which was a slight deterioration from 61% in 2017.

A further requirement of the SFVS is that returns are taken into consideration when setting the audit plan. The risk model used to prioritise schools for inclusion in the audit plan includes non submission of SFVS as one of a number of risk factors. Schools are selected for audit on the results of the risk model which is used to rank schools by their gross risk score. Those schools showing the highest risk score are given priority. As part of the analysis of returns, Internal Audit also considers the contents of each SFVS return and if there are any comments that raise concerns, this will further inform audit planning for the schools audit programme for the coming year. Internal Audit and the School Funding Team liaise continuously to share knowledge and information about schools.

In addition, SFVS returns are considered as part of the full school audits conducted. The audit testing programme for schools requires auditors to review a school's SFVS return as part of the planning process prior to an audit and compare the schools self assessment judgements to their findings during the audit. A judgement is then made by the auditor on the level of correlation that can be identified between the SFVS assessment and the audit findings and advises the school to review their responses to specific questions where necessary. This position is highlighted to the school, Chair of Governors and authority recipients in the ensuing audit report.

Audit recommendations that are linked to the SFVS have been tracked as part of the audit follow up process, thus ensuring that schools are taking necessary action on all recommendations to improve their control environment and financial management practices in a timely manner.

Following the success of the SFVS training offered in previous years, a course was made available in 2017/18. Attendance was encouraging despite the developing academisation agenda, with 27 schools being represented at the training, 39% of attendees being Governors. To date, 97 individual schools have received SFVS training, a greater coverage than could be achieved through more traditional audit methods at individual schools. The effectiveness of the training has been evident in the latest submission of SFVS forms which is encouraging. Feedback from training continues to be positive.

c) Sixth Form Funding Assurance

Internal Audit provided a high level assurance piece of work over sixth form funding totalling £11m to enable the funding assurance statement to be signed off by the Council's S151 officer and returned to the ESFA.

2.10 Computer Audit

For the first half year computer audit continued to be delivered by a specialist computer auditor from Wakefield as part of the joint working arrangement, and reports were issued which concluded that IT Project Management was good and that the security and super user access of two applications were mostly effective. Due to lack of resources and specialist knowledge no further computer audits were carried out following cessation of the joint working arrangement.

2.11 Risk Management

In relation to risk management the Council has improved its implementation of risk management across the authority over the last financial year. As at the 31st March 2018, progress on the Departmental Risk registers had improved. The Place risk register was completed. Work on Childrens was on going and required two further iterations to be completed but the structure of the register has been created. The risk register for Corporate Resources needed to be finalised which was to be arranged shortly. The Better Health and Better Lives Transformation Board had prepared a risk register which was comprehensive and focused in a way which allowed it to be used as the Health and Well Being departmental risk register. This was a significant advance.

The Council had re established the Councils risk champion network as there was now full coverage across the authority with 14 senior officers assigned the role of risk champion. Concerns had been raised around the number of risk regimes across the Council and the need to report them in different places. This was to be reviewed in 2018/19.

2.12 Governance

The internal audit assessment of governance is supported by the annual review undertaken by the Assistant Director – Finance and Procurement as S151 Officer. In conducting the review, reliance was placed upon six main sources of evidence:-

- The Constitution of the Council
- The adequacy of management actions in relation to key risks as identified in the corporate risk register
- Evidence from the regular monitoring and reporting to the Executive and Scrutiny Committees on performance, risk and finance issues
- Key Control and fraud risk self assessments supporting written confirmation from Strategic Directors that all reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations.
- The reports of Internal Audit
- External Audit and other external inspection agencies.

Overall as reported in the Council's Annual Governance Statement the Governance Procedures were determined as effective.

2.13 West Yorkshire Pension Fund (WYPF)

During 2017/18, Internal Audit carried out a variety of audits within WYPF. These included:

- **Transfers Out** – This was an audit of the risks to the process where individuals cease to be employed by an admitted body of the West Yorkshire Pension Fund and transfer their pension benefits into a new scheme. The control environment was found to be of an effective standard with no recommendations arising from the work carried out.

- **Reimbursement of Agency Payments** - This audit examined the reimbursement of payments made in respect of the administration service provided by the WYPF for Lincolnshire Pension Fund and the payment of West Yorkshire, North Yorkshire, Humberside, South Yorkshire, Lincolnshire, Royal Berkshire and Buckinghamshire and Milton Keynes Fire Officers pensions and also for payment of Teachers Gratuities for Bradford MDC. The work identified that the services provided were not being supported by an appropriate agreement due to a delay in finalising the agreement and therefore a recommendation for improvement was made and accepted.

- **AVC Arrangements** – Members of the Local Government Pension Scheme have the opportunity of paying extra contributions into the West Yorkshire Pension Fund AVC Plan, which can be arranged with two providers, Scottish Widows or Prudential. The standard of control around these arrangements was found to be effective with no issues identified.

- **New Pensions and Lump Sums – Deferred Pensions** - This audit examined the calculation of the deferred pension benefits for those members who have left the employment of a scheme employer. The control environment for this process was found to be fully effective with no issues identified.

- **Review of the West Yorkshire Pension Fund 2016/17 Accounts** - This is an annual account review process, that ensures the final account is consistent with internal control reviews carried out by our Internal Audit Team during the year.

- **Verification of Assets** – This audit ensures that the assets held by the West Yorkshire Pension Fund are as expected. The standard of control in place to achieve this was found to be excellent.

- **UK Fixed and Index Linked Public and Corporate Bonds** – Control of this investment asset class was found to be effective with no issues identified.

- **Stock Lending** – Stock lending of UK and Foreign equities is undertaken by HSBC Bank as part of the custodial arrangements for the West Yorkshire Pension Fund. Controls were examined to ensure that the risks in this process were appropriately managed, these were found to be mostly effective with one recommendation for improvement made.

- **Equities** - These investments are held under the custody of the HSBC, and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the audit review found the process to be well controlled.

- **Treasury Management** - This audit reviewed the arrangements in place for treasury management, to ensure that surplus cash is invested in the most appropriate ways. Controls in this area were found to be mostly effective with one recommendation for improvement.

- **UK Property Unit Trusts** – Approximately 4.2% of the West Yorkshire Pension Fund investment portfolio is held in property unit trusts. The control environment surrounding the UK Property Unit Trusts was deemed to be effective with no issues identified in the process.

2.14 Changes to the 2017/18 Plan

During the financial year some of the audits in the original plan were not performed. As in previous years this was due to factors such as a delay in system implementation, or the availability of service staff, but also Internal Audit capacity constraints. In some cases work had been covered by an alternative. Audits were also completed that were not in the original plan due to in year concerns/assurance requirements from management, or as a result of control weaknesses identified in other systems.

Details of the audits that were added or deleted from the 2017/18 Audit Plan over and above those that were reported in the Internal Audit Monitoring Report presented to GAC on 30 November 2017 is shown in Appendix B. Where an audit was removed from the Plan a reason has been given as to why this was.

2.15 Non Audit Work Performed

During the year Internal Audit has performed some non-audit work in relation to the co-ordination of the writing of the Annual Governance Statement. The Head of Internal Audit and Insurance has ongoing responsibilities for Insurance, Risk Management and Information Governance arrangements. Whilst from an Internal Audit perspective this impacts on the level of independence, it does give Internal Audit an increased awareness of operational arrangements and the levels of governance compliance across the Council.

The Head of Internal Audit is not involved in audits where he has existing or has previously held operational responsibility. If an audit is undertaken of Risk Management, Information Governance or Insurance the reports are reviewed by an Audit Manager and reported directly to the Assistant Director Finance and Procurement to avoid a conflict of interest.

2.16 Internal Audit's Performance Indicators

a) Client Feedback

After each audit a client feedback questionnaire is issued for the auditee to obtain their views on the different aspects of the audit they have received. 100% of the feedback that we received from clients was positive.

As part of the feedback process the auditees are invited to give comments and below is a sample of some of the comments received:-

The audit has been the most useful process and document in highlighting risk and in helping to give much needed clarity and vision for the service. There has previously been a BPM process but the audit has been much more beneficial.
The auditor asked relevant questions and raised issues accordingly. No comments for improvement.
The audit was very fairly undertaken with minimum disruption to the school. The auditor was extremely helpful and pleasant throughout the whole process.
Very thorough audit. Recommendations are sensible, practical and helpful and help support the business to improve the process and minimise risk. The auditor was professional and thorough and has delivered an effective and robust report and recommendations.

b) Timeliness of Reporting

The timeliness of issuing draft and final reports is important as it allows the audit clients the earliest opportunity to action report recommendations and forms part of Internal Audit's performance indicators. During the year 64% of reports were issued within three weeks of finishing on site, which is below the target of 80% and is mainly due to one audit that generated seven reports missing the target. 91% of final reports were issued within a week of agreement with management, which is in excess of the target of 90%.

c) Review of the Effectiveness of Internal Audit

A further requirement of the PSIAS is that there must be a quality assurance and improvement programme which includes both an internal and external assessment. The internal assessment completed identified several areas for further improvement. In February 2018 the Internal Audit Service underwent an external review to determine the level of compliance with Public Sector Internal Audit Standards. This determined that the Internal Audit Service was partially compliant with public sector internal audit standards The main concern was the level of resources available to the service. In addition a number of technical improvements to management reporting and processes needed to be implemented. This resulted in a Quality Assurance Improvement Plan (QAIP) which will be implemented by December 2018 to ensure the Service is fully compliant with the standards. One of the key aspects of the QAIP will be looking at the skills of the team and ensuring they meet the future demands of the service. It should be noted that both the internal and external assessment recognised the high quality of individual internal audit work and supporting reports.

3. ANNUAL INTERNAL AUDIT OPINION

3.1 Public Sector Internal Audit Standards (PSIAS)

Standard 2450 of the PSIAS requires Internal Audit to state within the Internal Audit Annual Report, the annual internal audit opinion which "must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control". This is also used, as evidence, to support the "Annual Governance Statement." The opinion is shown in 3.2 below.

3.2 Audit Opinion

From the work undertaken by Internal Audit throughout the year and taking into account other internal and external assurance processes the overall internal control environment risk management and governance framework of the Council is adequate.

There are three individual areas of concern, Deprivation of Liberty Statements, Procurement and No Recourse to Public Funds. These areas will be reviewed in 2018/19 to assess progress in the implementation of Internal Audit recommendations agreed with management.

It must also be acknowledged, that whilst the overall opinion is adequate, the number of reports produced by Internal Audit in 2017/18 is approximately half the number produced in 2014/15. This limits the quantity of evidence which the Head of Internal Audit can rely on, to support the assurance statements concerning the governance of the Authority.

Details of the Audit Reports Issued in 2017/18 by Audit Type

Audit Category	Client	Opinion	Title	Final Report Issue Date
Computer	Corporate Services	Good	IT Project Management	04/04/2017
Computer	Corporate Services	Mostly Effective	IT Application Security Liquid Logic System	18/09/2017
Computer	Corporate Services	Mostly Effective	IT Application Capita One System	18/09/2017
Follow Up	Children's Services	N/A	FM Contract - Follow Up	30/11/2017
Follow Up	Corporate Services	Mostly Effective	Mobile Telephony Management Follow Up	06/03/2018
Fraud & Irregularity	Dept of Place	N/A	Concerns Relating to Youth Opportunity Funds	08/08/2017
Fraud & Irregularity	Corporate Services	N/A	Concerns Relating to the Use of Mobile Phones	21/03/2018
Fundamental Systems	Corporate Services	Ltd Assurance	Quotes, Tenders and Contract Award Process	03/08/2017
Fundamental Systems	Dept of Place	Ltd Assurance	Quotes, Tenders and Contract Award Process	15/09/2017
Fundamental Systems	Corporate Services	Ltd Assurance	Quotes, Tenders and Contract Award Process	02/11/2017
Fundamental Systems	Corporate Services	Effective	Bank Reconciliation & Unallocated Cash 16/17	27/04/2017
Fundamental Systems	Corporate Services	Mostly Effective	Budgetary Control	11/12/2017
Fundamental Systems	Corporate Services	Effective	Non Domestic Rates - Valuation, Liability & Billing	29/01/2018
Fundamental Systems	Corporate Services	Effective	Council Tax - Valuation, Liability & Billing	02/03/2018
Fundamental Systems	Dept of Place	Ineffective	Audit - Permanent & Temporary Variations to Pay (Sport & Culture)	30/10/2017
Fundamental Systems	Corporate Services	Mostly Effective	Certification of Pension Contributions	17/07/2017
Fundamental Systems	Dept of Place	Mostly Effective	Audit - Permanent & Temporary Variations to Pay (Waste, Fleet & Transport)	30/10/2017
Fundamental Systems	Corporate Services	Mostly Effective	Audit - Permanent & Temporary Variations to Pay (Business Support)	31/10/2017
Fundamental Systems	Corporate Services	Mostly Effective	Audit - Permanent & Temporary Variations to Pay (Internal Payroll)	02/11/2017
Grants & Certificate Work	Dept of Place	Effective	Cycle City Ambition Grant 2016/17	08/06/2017
Grants & Certificate Work	Dept of Place	Effective	Pot Hole Action Fund 2016/17	08/06/2017
Grants & Certificate Work	Dept of Place	Effective	West Yorkshire Plus Transport Fund 2016/17	08/06/2017
Grants & Certificate Work	Dept of Place	Effective	West Yorkshire Combined Authority Local Transport Capital Block Funding 2016/17	08/06/2017
Grants & Certificate Work	Children's Services	Mostly Effective	Primary PE & Sport Premium 2016/17	13/06/2017

Grants & Certificate Work	Dept of Place	Effective	Disabled Facilities Grant 2016/17	26/06/2017
Grants & Certificate Work	Dept of Place	Mostly Effective	Local Authority Bus Subsidy Ring - Fenced (Revenue) Grant 2016/17	05/09/2017
Grants & Certificate Work	Dept of Place	Effective	Highways Challenge Fund Grant	08/09/2017
Grants & Certificate Work	Children's Services	Satisfactory	Troubled Families Funding October 2017	31/10/2017
Grants & Certificate Work	Children's Services	Effective	Troubled Families Funding March 2018 (No 1)	08/03/2018
Grants & Certificate Work	Children's Services	Effective	Troubled Families Funding March 2018 (No 2)	28/03/2018
Probity	Corporate Services	Effective	Register of Births, Death & Marriages Spoiled Certificates	10/05/2017
Schools	Children's Services	Satisfactory	Parkside School	07/04/2017
Schools	Corporate Services	N/A	Analysis of Schools Financial Value Standard Self Assessment Returns 2017	15/05/2017
Schools	Children's Services	Ltd Assurance	Lower Fields Primary School	14/06/2017
Schools	Children's Services	N/A	Concerns relating to Lister Primary School	18/07/2017
Schools	Children's Services	Mostly Effective	Crossflatts Primary School	19/09/2017
Schools	Children's Services	Partially Effective	Farfield Primary School	05/10/2017
Schools	Children's Services	N/A	Six Form Funding 2016/17 Assurance Statement LA Maintained School	18/10/2017
Schools	Children's Services	N/A	Schools incontrol newsletter Autumn 2017	09/11/2017
Schools	Children's Services	N/A	SFVS Training	28/11/2017
Schools	Children's Services	N/A	Concerns relating to a Catering Contract	30/11/2017
Schools	Corporate Services	N/A	Procurement Concerns relating to School Catering Contracts	30/11/2017
Schools	Children's Services	Mostly Effective	Marshfield Primary	01/12/2017
Schools	Children's Services	Mostly Effective	All Saints C of E Primary School Bradford	18/01/2018
Schools	Children's Services	Partially Effective	Ingrow Primary	26/01/2018
Schools	Children's Services	Partially Effective	Grove House Primary School	06/03/2018
Schools	Children's Services	Mostly Effective	Stocks Lane Primary School	29/03/2018
Significant systems	Dept of Place	Effective	Voluntary & Community Sector Infrastructure Support Grant Agreement 17/19 - CABAD	01/02/2018
Significant systems	Dept of Place	Mostly Effective	Grants to Voluntary Organisations - Shipley	01/02/2018
Significant systems	Dept of Place	Mostly Effective	Grants to Voluntary Organisations - Keighley	06/02/2018
Significant systems	Dept of Place	Mostly Effective	Grants to Voluntary Organisations - Bradford East	06/02/2018
Significant systems	Dept of Place	Mostly Effective	Grants to Voluntary Organisations - Bradford West	06/02/2018

Significant systems	Dept of Place	Partially Effective	Grants to Voluntary Organisations - Central	06/02/2018
Significant systems	Dept of Place	Mostly Effective	GrantS to Voluntary Organisations	01/03/2018
Significant systems	Health & Wellbeing	No Assurance	No Recourse to Public Funds	04/04/2017
Significant systems	Children's Services	Ltd Assurance	Review of Cash Purchasing	06/04/2017
Significant systems	Dept of Place	N/A	Concerns relating to Financial Procedures.	04/05/2017
Significant systems	Dept of Place	Good	Licensing	23/05/2017
Significant systems	Dept of Place	Satisfactory	Housing Options	07/07/2017
Significant systems	Dept of Place	Mostly Effective	Planning Applications & Building Regulations Fees	08/08/2017
Significant systems	Children's Services	N/A	Interim report - Out of Area Placements	31/08/2017
Significant systems	Corporate Services	Mostly Effective	Review of Governance Breakdown Corporate Risk	06/11/2017
Significant systems	Health & Wellbeing	Ineffective	Mental Capacity Act 2005 - Deprivation of Liberty Safeguards	22/12/2017
WYPF	WYPF	N/A	Review of West Yorkshire Pension Fund 2016/17 Accounts	09/06/2017
WYPF	WYPF	Effective	West Yorkshire Pension Fund AVC Arrangements	08/09/2017
WYPF	WYPF	Mostly Effective	West Yorkshire Pension Fund Stock Lending	16/10/2017
WYPF	WYPF	Effective	West Yorkshire Pension Fund Transfers Out	02/11/2017
WYPF	WYPF	Effective	West Yorkshire Pension Fund UK Fixed and Index Linked Public and Corporate Bonds	28/11/2017
WYPF	WYPF	Mostly Effective	West Yorkshire Pension Fund Treasury Management	15/01/2018
WYPF	WYPF	Effective	West Yorkshire Pension Fund Verification of Assets	24/01/2018
WYPF	WYPF	Effective	West Yorkshire Pension Fund Equities 2017/18	27/02/2018
WYPF	WYPF	Effective	WYPF New Pensions and Lump Sums Deferred Members	13/03/2018
WYPF	WYPF	Mostly Effective	WYPF Reimbursement of Agency Payments	22/03/2018
WYPF	WYPF	Effective	WYPF UK Property Unit Trusts	27/03/2018

Appendix B

Amendments to the 2017/18 Audit Plan

Below is a list of audits that were added or deleted from the 2017/18 Audit Plan over and above those that were reported to GAC in the Internal Audit Monitoring Report on 30 November 2017. Where an audit was removed from the Plan a reason has been given as to why this was.

Additional unplanned audit work done in 2017/18
Better Care Fund 17-18 Metric

Audits Removed from the 2017/18 Audit Plan	Reason
Contract Management Review	Defer due to capacity reasons
Procurement other	Defer due to capacity reasons
Insurance	Low priority and capacity reasons
Capital Asset Additions, Disposals and Valuations	Low priority and capacity reasons
ContrOCC & SystemOne	Low priority and capacity reasons
Waste Management	Low priority
s106 and Community Infrastructure Levy	Low priority
Safeguarding Children	Defer due to capacity reasons
Quality accessible & affordable housing	Defer due to capacity reasons

2017/18 Planned Audits Ongoing at the 31.3.18
Revenue Enforcement
Investment and Loans
Apprenticeship Levy
Continuing Healthcare
Transitional Planning
Direct Payments
Transport – vehicle repairs and maintenance
Museum Artefacts
Regeneration and Investment into District