

Minutes of a meeting of the Governance and Audit Committee held on Thursday, 29 November 2018 in Committee Room 1 - City Hall, Bradford

Commenced 10.00 am
Concluded 11.25 am

Present – Councillors

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
M Pollard	Johnson Thornton Swallow	Reid

Councillor Johnson in the Chair

28. DISCLOSURES OF INTEREST

- (1) In the interest of transparency all those who had children in school disclosed an interest in Minute 31.
- (2) In the interest of transparency all those who were school governors disclosed an interest in Minute 31.

Action: City Solicitor

29. MINUTES

Resolved-

That the minutes of the meeting held on 27 September 2018 be signed as a correct record.

30. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no requests made to inspect background papers.

31. REVISION AND RE-ISSUE OF THE LOCAL AUTHORITY'S SCHEME FOR FINANCING SCHOOLS, FINANCIAL REGULATIONS FOR MAINTAINED

SCHOOLS AND SCHOOLS CONTRACT STANDING ORDERS

Members were advised that a consultation had been completed on proposals put forward by the Local Authority for amendments to the three documents (Scheme for Financing Schools, Financial Regulations for Maintained Schools and Schools Contract Standing Orders) that set out roles and responsibilities in the delegation of financial responsibilities to the governing boards of schools maintained by the Local Authority.

The Assistant Director of Finance and Procurement submitted **Document “S”** which reported that consultation with maintained schools on amendments to the three documents took place between 11 July and 12 October 2018.

The Schools Forum on 17 October 2018 approved, using its statutory powers, the amendments to the Scheme. The Schools Forum had recommended that the Governance and Audit Committee now approved the amended documents for implementation.

It was reported that amendments to the three documents had been put forward with the aim of:

- Ensuring that the provisions remained accurate and referred correctly to legislation and officer posts / committee structures within the Authority.
- Incorporating recent changes in requirements, including changes in legislation, since the provisions were last updated.
- Responding to feedback from the Authority’s Internal Audit Team on areas of weakness found in school’s financial accounting and also where the current provisions would benefit from greater clarity or amendment.
- More clearly setting out for schools their responsibilities in the procurement of contracts, goods and services.
- More clearly signposting for schools the Authority’s working protocols and additional guidance.
- Expressing more clearly (but not materially altering) existing requirements placed on schools in areas where the Authority held concern about compliance, and
- Establishing new or firmer provisions (and materially altering requirements placed on schools) in areas where the Authority held concern about compliance.

It was reported that the most significant amendment that was proposed to the



Schools Contract Standing Orders was the increase in the threshold above which 4 written quotations were required to be sought; from £4,000 to £10,000. This was proposed with specific reference to feedback from Internal Audit around enforcement and compliance, recognising that the current £4,000 threshold had not been uplifted for some time. Under the proposals, schools would be required to seek 4 written quotations where goods and services had a value between £10,000 and £75,000. Schools must still be able to demonstrate best value for money on purchases below £10,000 and this may still include seeking written quotations.

In response to Members questions it was reported that the Schools Contract Standing Orders stated that the Authorised Officer must invite local suppliers where a local supply base was available.

A Member queried that not all school governors understood Financial Regulations/Contract Standing Orders and asked whether they were provided with training on the new changes. In response it was reported that routine training was provided to school governors and that it was necessary that Business Managers and Head Teachers of schools understood the documents who would then present it to their governors.

Resolved-

- (1) That the amended Scheme for Financing Schools (Appendix 3) as approved by the Schools Forum on 17 October 2018 be noted.
- (2) That the amended Financial Regulations for Maintained Schools (Appendix 1 attached to Document "S") and Schools Contract Standing Orders (Appendix 2 attached to Document "S") be approved.

Action: Assistant Director of Finance and Procurement

32. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP HELD ON 26 JULY 2018

The Council's Financial Regulations required the minutes of the meetings of the West Yorkshire Pension Fund be submitted to this Committee.

In accordance with the above the Director of West Yorkshire Pension Fund submitted **Document "T"** which reported on the minutes of the meeting of the West Yorkshire Pension Fund Joint Advisory Group held on 26 July 2018.

Resolved-



That the minutes of the West Yorkshire Pension Fund Joint Advisory Group held on 26 July 2018 were considered.

33. MINUTES OF THE WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP HELD ON 1 NOVEMBER 2018

The Council's Financial Regulations required the minutes of the meetings of the West Yorkshire Pension Fund be submitted to this Committee.

In accordance with the above the Director of West Yorkshire Pension Fund submitted **Document "U"** which reported on the minutes of the meeting of the West Yorkshire Pension Fund Joint Advisory Group held on 1 November 2018.

Resolved-

That the minutes of the West Yorkshire Pension Fund Joint Advisory Group held on 1 November 2018 were considered.

34. INTERNAL AUDIT PLAN 2018/19 - MONITORING REPORT AS AT 30 SEPTEMBER 2018 INCLUDING THE RESPONSE TO THE EXTERNAL REVIEW OF INTERNAL AUDIT

Previous Reference: Minute 5 (2018/19)

The Assistant Director, Finance and Procurement submitted **Document "V"** which monitored the progress made by Internal Audit against the Internal Audit Plan for 2018/19 as at 30 September 2018. The report also included an update on progress made in implementing the recommendations of the external review of Internal Audit.

One of the key findings of the peer review was to recommend an increase in the staffing levels on the team, and therefore the overall capacity of the audit plan. There had been significant progress in this area with the successful recruitment of four new Senior Auditors to the department. In order to facilitate the further implementation of the QAIP (Quality Assurance Improvement Plan) a revised Internal Audit Charter would be presented to the Committee on January 24th 2019. This report would also include the conclusion of the Internal Audit recommendation follow up exercise and would also be reported to the Councils Management Team.

It was reported that 39% of the audit plan had been completed so far, with the additional resources in place the audit plan would be 90% complete by the year end.

The Assistant Director, Finance and Procurement commended the Head of Internal Audit for the work he had undertaken.



In response to a Member's question it was reported that further information would be provided on direct payments and follow ups at the Committee's meeting in January 2019.

It was reported that the work undertaken by Internal Audit was 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 2018/19 was drawn up and any issues on the risk register that related to an individual audit were included within the scope.

In response to a Member's question it was reported that the key risks examined in the audits were discussed with management at the start of the audit and the implementation of recommendations was followed up with Strategic Directors.

Members were informed that MK Insight was an integrated Internal Audit ICT package produced by Morgan Kai that delivered the full range of Internal Audit functionality from planning, to reporting, including time recording and working paper preparation. The Internal Audit Team commenced using MK Insight in January 2017. MK Insight was now used by Audit Management to produce the Internal Audit Plan and by all staff to perform audits, report their findings and deliver the 2018/19 audit plan.

The following up of audit recommendations and the reporting of performance via MK Insight were currently under development.

It was reported that the audit work had identified that 79% of controls examined were operating satisfactorily. All concerns arising from the audit assignments resulted in an audit recommendation. To date 100% of the audit recommendations had been accepted by management. This was consistent with the 2017/18 outcome (98%).

Resolved-

That the Committee:

- **Takes assurance from the results to date that show that the control environment of the authority is overall satisfactory.**
- **Endorses the anticipated coverage and changes of Internal Audit work during the year.**

- **Requires Internal Audit to monitor the control environment and continues to assess areas of control weakness and the ability of**



management to deliver improvements to the control environment when required.

Action: Assistant Director, Finance and Procurement

35. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN - REVIEW OF LOCAL GOVERNMENT COMPLAINTS 2017/18

The Assistant Director of the Chief Executive's Office submitted **Document "W"** which summarised the number of complaints and investigations undertaken by the Ombudsman for the year ended 31 March 2018 and compared Bradford's performance against that of other local authorities.

It was reported that the Local Government and Social Care Ombudsman received a total of 123 new complaints and enquiries about Bradford between 1 April 2017 and 31 March 2018 compared to 120 in the previous year. A breakdown across services was detailed at 3.1.

Members were informed that upon receipt of a complaint the LGSCO would initially approach the Local Authority to ascertain the status of the complaint and would only accept complaints if the complainant had exhausted the Council's own internal complaint process.

It was reported that in 2017/18 the LGO made 130 decisions in relation to complaints about Bradford compared to 120 the previous year. Of the 130 decisions made in 2017/18, 46 (35% compared to 51% in the previous year) were referred back to the Council for local resolution and 47 (36% compared to 22% in the previous year) were closed by the LGO after its initial enquiries. 7 (5%) complaints were considered incomplete, invalid or other advice was provided. During the period in question 30 complaints (23 in 2016/17) were subject to a detailed investigation carried out by the LGSCO. 11 of those complaints were not upheld with 19 being upheld ie 15 % of the total complaints received by the LGO were upheld compared to 10 % in 2016/17. A breakdown across service area of those subject to a formal investigation was set out at 3.3.

Members were informed that in terms of the percentage of upheld cases against the overall number of complaints the LGSCO received, Bradford (15%) ranked the second best against the West Yorkshire Comparators which averaged at 15%, and it was slightly higher than the national and the Yorkshire and Humber region averages, which were both 14%.

It was reported that the LGSCO had commented about Bradford Council's positive approach to complaint handling, a prompt response to the Ombudsman's enquiries and a positive response to the LGCSO's decisions and recommendations.

Members were informed that the LGCSO published 40% more public interest reports during 2017/18, with a total of 42.



It was reported that one of the 42 public reports was against Bradford Council in relation to a failure to refer a housing benefit applicant's case on to the first tier tribunal. In response the Authority had agreed with the Ombudsman that appeals in relation to benefits would be progressed within two months of receipt to the Tribunals subject to having received all the relevant information. The Ombudsman agreed a target of 31 March 2018 to achieve that two month target which was met by the authority. In addition to this the team had recently been the subject of an inspection by internal audit and received an excellent accreditation with regard to its current control processes.

In response to a Member's question in relation to why there was a delay in referring housing benefits cases to the first tier tribunal it was reported that the service had a high case load similar to other authorities around changes to national legislation relating to benefit entitlement and it took time for interpretation and case law to be established; an implementation plan was put in place and processes had been streamlined to ensure all cases were sent to tribunal within agreed timelines.

Members were informed that the LGCSO Public report was presented to the Corporate Overview and Scrutiny Committee on the 21 February 2108.

In response to a Member's question it was reported that the Local Government and Social Care Ombudsman's annual report next year would include whether the Ombudsman recommendations to each Council had been implemented and Councils would ensure that every recommendation was followed up.

The Chair queried why there had been a delay in completing the Council's statutory investigation into a child protection case highlighted in the Ombudsman Letter, it was reported that this was due to someone leaving and finding someone else to allocate the case to but lessons had been learnt and a special monitoring system had been put in place, cases were now allocated to Managers much more quickly.

Resolved-

That the Committee takes assurance from the result of the Local Government and Social Care Ombudsman's Annual Review of Local Government Complaints 2017/18, that the Authority's complaints process is overall satisfactory.

36. EXTERNAL AUDIT REPORT RECOMMENDATIONS INFORMATION TECHNOLOGY UPDATE



The Council's external auditors Mazars undertook an audit in the first quarter of 2016 to assess a selection of key Council IT systems as part of the audit of the financial statements

The Assistant Director, Transformation and Change submitted **Document "X"** which showed the Council's progress on implementing two External Audit Recommendations from the 2016 review undertaken by Mazars.

The two outstanding external audit recommendations included:

- (1) Business Continuity - In order to ensure proper and timely recovery in case of a disaster or major incident, we recommend testing the Disaster Recovery Plan at least on an annual basis.
- (2) User Access - In order to avoid unauthorised access to the Council's network and programs, we recommend ensuring that formal access disabling requests are issued for all leavers before their leaving date.

The outstanding recommendations were aimed at improving two areas managed by IT Services. Namely the process for managing the close down of computer accounts when staff leave the organisation referred to as "the Leavers" process, and the management of the annual review and testing of key Council IT systems in line with the Council's Business Continuity planning process. A revised plan to implement the two recommendations was attached (Appendix A).

It was reported that in relation to recommendation 1 a plan was being developed to manage this activity which would result in the identified departments undertaking a "desktop" IT Disaster Recovery scenario walkthrough of their business continuity plan. This activity would be reviewed annually and next year would see a planned coordinated IT system outage with a selected IT system in each department. This would be a rolling programme of activity as IT Services worked with each of the Council departments to formalise and schedule their IT Disaster Recovery testing plans.

Members were informed that since the external audit recommendations were issued, existing user management systems had been updated to improve the management of staff leaving the organisation. To further support this IT Services had been undertaking a review of network logon accounts to ensure none were missed within the current leavers process, any identified account issues were followed up with the relevant Council departments to validate if their removal was appropriate.

Once the user management system went live in March 2019, the external audit Recommendation 2 would have been implemented.

In response to a Member's question as to why there was a delay in implementing the recommendations it was reported IT Services had experienced a number of



operational issues in 2016 and 2017. In addition to this was the complexity of the challenge to ensure that all the IT systems a leaver had access to were closed out. IT Services provide and support over 250 systems to council departments and a leaver may have access to several of these. New systems and supporting processes would be in place by March 2019 which would enable greater integration of IT systems to manage the staff leavers process.

In response to a Member's question it was reported that a degree of resilience was in place in the event of a disaster; however these resilience measures would now be tested more robustly to ensure that disaster recovery was effective. It was important to make sure key departments could deliver key services in a disaster situation, it was also noted that business continuity was reported quarterly in the Finance Monitoring Reports.

Resolved-

That the update on the External Audit Report Recommendations relating to the Council's Information Technology systems be noted.

37. EXTERNAL AUDIT PROGRESS REPORT

The External Auditor submitted **Document "Y"** which updated the Committee on progress with the 2018/19 audit and highlighted key emerging national issues which may be of interest to the Committee.

Members were informed that that this was the first progress report in respect of the 2018/19 audit year, the key audit stages were summarised in the diagram on page 3 of the report. He reported that upon External Audits completion of the initial planning and risk assessment an Audit Strategy Memorandum would be presented to the Committee for discussion.

It was reported that specific work in this period included the 2017/18 housing benefit subsidy return certificate work which had a deadline of 30 November 2018 and the outcome of that work would be reported to the Committee upon completion.

Members were informed that there were no significant matters arising from the work that was required to be reported at this stage.

The Committee commended Mazars for meeting PSAA's (Public Sector Audit Appointments Ltd) standards for overall audit quality and regulatory compliance requirements.

Resolved-

That the Committee noted and considered the External Audit Progress Report (Document "Y").

Chair



