

Minutes of a meeting of the Governance and Audit Committee held on Thursday, 24 January 2019 in Committee Room 1 - City Hall, Bradford

Commenced 10.00 am
Concluded 11.25 am

Present – Councillors

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Johnson Thornton Swallow	M Pollard	Reid

Councillor Johnson in the Chair

38. DISCLOSURES OF INTEREST

In the interest of transparency Councillor Thornton disclosed an interest in Minute 42 as he was a Chair of the West Yorkshire Pension Fund Joint Advisory Group and the Investment Advisory Panel, he left the meeting during consideration of this item.

Action: City Solicitor

39. MINUTES

Resolved-

That the minutes of the meeting held on 29 November 2018 be signed as a correct record.

40. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no requests made to inspect background papers.

41. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - LEVEL OF USE (QUARTERLY REVIEW)

Previous Reference: Minute 10 (2018/19)

The City Solicitor submitted **Document “Z”** which provided information relating to:

- The number of authorised and approved covert surveillance operations by the Council for the periods 1st July 2018 to 30th September 2018 and 1st October 2018 to 31st December 2018.
- The Council’s uses of covert surveillance by its own officers or the use of its CCTV equipment by the Police and Department of Work and Pensions (DWP).

The report highlighted that all covert surveillance must be lawfully authorised by the Councils authorising officers namely the Chief Executive and the City Solicitor and their nominated deputies and approved by the Court under RIPA.

The RIPA Co-ordinator reported that the Councils departments which had specific statutory powers to investigate criminal offences were tabled at 2.1 of Document “Z”.

It was reported that the Council’s Departments which investigated breaches of employee discipline which may result in the detection of serious criminal offences were detailed at 2.2 of Document “Z”.

Members were informed that the returns for Quarter 3 (1st July 2018 to 30th September 2018) and Quarter 4 (1st October 2018 to 31st December 2018) were set out in the table on page 3 of the report. A nil return was shown for all relevant departments which indicated that the enforcement services investigators were able to obtain evidence overtly without the need for covert surveillance. Where not applicable appeared (N/A) the criminal offences investigated by the service did not fall within the definition of ‘serious criminal offence’ under RIPA namely carrying a penalty of more than six months imprisonment and thus covert surveillance of such none serious crimes could not be authorised under RIPA.

It was reported that the Council owned a substantial CCTV system which assisted in the prevention and detection of crime within the City Centre and was occasionally used by the Police or DWP (Department for Work and Pensions).

Members were informed that an annual training update on RIPA was presented to relevant Council officers in November 2018. This training was also offered to all officers across the 5 West Yorkshire authorities and more than 70 delegates attended. The feedback from the delegates was that the training was a very useful update.

It was reported that training for 2019/20 would also be arranged following the internal audit by the Council’s Senior Responsible Officer and the RIPA Coordinator and Monitoring Officer.

In response to a Member’s question it was reported that if the Police required

urgent access to the CCTV system then there was an urgent authorisation process which was followed.

It was reported that CCTV being used by schools needed to be signposted but Members felt that not all schools were aware that notices needed to be put up.

In response to a Members question as to whether covert investigations may be resisted by Council enforcement officers due to the complex bureaucratic process, it was reported that this may be possible but that in any event covert surveillance was to be used as a last resort for serious crime.

The Chair emphasised that the use of covert techniques was a matter for the enforcement departments and the committee was enquiring into the technical compliance with RIPA by the Council.

Members were informed that officers continued to raise awareness on the proper use of RIPA through training programmes.

Resolved-

- (1) That the contents of the report be noted.**
- (2) That the Council's continued compliance with RIPA be noted.**
- (3) That the Council's Senior Responsible officer and RIPA Coordinator and Monitoring officer at least annually provide reminders to all Strategic Directors to raise awareness of the need to be vigilant within their services that if covert surveillance is carried out, it must be authorised and approved and in any event all endeavours are made to undertake criminal investigations overtly and within Council policy.**

Action: City Solicitor

42. NORTHERN POOL JOINT GOVERNANCE COMMITTEE INTER AUTHORITY AGREEMENT

The Director of West Yorkshire Pension Fund submitted **Document "AA"** which reported that in order to comply with Government Investment Pooling Guidelines it was necessary for The Administering Authority (AA) of the West Yorkshire Pension Fund to enter into an agreement with Tameside and Wirral Metropolitan Borough Councils as the AAs of the two other pension funds making up the Northern Pool. To ensure the agreement was operational by 1 April 2019, ahead of the next progress report to the Secretary of State it was necessary for this to be approved at this meeting.

It was reported that the Northern Pool (NP) partners were Merseyside, Greater Manchester and West Yorkshire Pension Funds, three large, cost effective Metropolitan funds.

In response to Members questions it was reported that individual funds would

retain their current role of setting asset allocation and investment policy, and would delegate the oversight of implementing that policy to the Joint Committee.

It was reported that a Joint Committee would be formed which would have responsibility for ensuring the appropriate structure and resources were in place to implement the policy required by each fund, those resources were to be provided by the three Funds. Staff would remain in their current employment, but would be seconded to act for the other funds where that was required.

Members were informed that the Joint Committee would consist of two Members appointed by each Fund plus a total of three trade union representatives. It would not have any direct involvement in the appointment of managers, or selection of investments. These matters would be fully delegated to professional officers. Its role was set out in Schedule 2 to the Agreement (Appendix "A" to Document "AA"), which could be summarised as exercising oversight over investment performance, investment activities, the appointment of the joint custodian, delivery of the shared objectives, and to help drive efficiencies.

It was reported that the long term vision for the pool was to provide access to:

- a range of internal and externally managed listed assets at low cost
- collective investment in alternatives, while building skill to enable cost reduction by increasing direct access
- working arrangements with other pools where greater size may add value.

In response to Members questions it was reported that the investment philosophy was to maintain simple arrangements, with a relatively low number of managers, low manager and portfolio turnover, an increasing proportion of assets managed internally within the pool, with individual funds retaining the ability to select asset class, territory, and active or passive management.

Resolved-

That the Northern Pool Joint Governance Committee Agreement, Not For Publication Appendix A, be approved for submission to the 21 February Council meeting to ensure it is operational by 1 April 2019, and the Committee authorise the Director, WYPF, in consultation with the City Solicitor to amend it as expedient or necessary and put in place any ancillary documentation.

Action: Director of West Yorkshire Pension Fund

43. EXCLUSION OF THE PUBLIC

The Committee was asked to consider if the item relating to the minutes of the meeting of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 1 November 2018 should be considered in the absence of the public and, if so, to approve the following recommendation:

Resolved –

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 meeting held on 1 November 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.

Action: City Solicitor

44. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 1 NOVEMBER 2018

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

In accordance with this requirement, the Director of West Yorkshire Pension Fund submitted **Not for Publication Document "AB"** which reported on the minutes of the meeting of the WYPF Investment Advisory Panel held on 1 November 2018.

Resolved –

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

45. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) LOCAL PENSION BOARD MEETING HELD ON 17 OCTOBER 2018

The Council's Financial Regulations required 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 submitted **Document "AC"** which reported on the minutes of the meeting of the WYPF Local Pension Board held on 17 October 2018.

Resolved –

That the minutes of the West Yorkshire Pension Fund Local Pension Board held on 17 October 2018 were considered.

46. EXTERNAL AUDIT CERTIFICATION OF GRANTS REPORT 2017/18

The External Auditor submitted **Document “AD”** which summarised the results of the External Auditor’s certification work on grant claims and returns within the Public Sector Audit Appointment’s grant regime for 2017/18.

For 2017/18 the only claim or return within this regime was the Housing benefit subsidy return.

It was reported that the 2017/18 Housing benefits return was both amended and subject to a qualification letter to the Department for Work and Pensions (DWP). Amendments increased subsidy by £55,692 whilst the matters reported via the qualification letter were few in number and minor in nature (with little or no impact on total subsidy).

Resolved-

That the results of the certification work for 2017/18 were considered.

47. EXTERNAL AUDIT PROGRESS REPORT

The External Auditor submitted **Document “AE”** which updated the Committee on:

- Progress with the 2018/19 audit
- Provides details of the 2018/19 Financial Reporting Workshops
- Requested information from those charged with governance about arrangements to prevent and detect fraud and to comply with applicable laws and regulations; and
- Highlighted key emerging national issues which may be of interest to the Committee.

Members were informed that the Audit Strategy Memorandum (ASM) would be submitted to the March 2019 Governance and Audit Committee for discussion. This would set out the significant risks that had been identified for the audit, for both the opinion on the statement of accounts and the value for money conclusion, and the approach to the audit.

Resolved-

That the Governance and Audit Committee noted and considered:

- **the External Audit Progress Report; and**

- the request for information about arrangements to prevent and detect fraud and to comply with applicable laws and regulations.

Action: Assistant Director Finance and Procurement

48. ANNUAL GOVERNANCE STATEMENT 2017-18 REVIEW

Previous Reference: Minute 4 (2018/19)

The Annual Governance Statement (AGS) was formally reviewed and approved by the Governance & Audit Committee at its meeting on 28th June 2018. The Committee subsequently authorised the Leader of the Council and the Chief Executive to sign the document on behalf of the Council for inclusion with the Statement of Accounts for 2017-18.

The Statement reported that the Governance and Audit Committee would be kept informed of progress in addressing weaknesses and areas of concern.

The Assistant Director of Finance and Procurement submitted **Document “AF”** which updated Members on the progress and improvements being made in addressing those significant governance concerns reported in the Council’s Annual Governance Statement 2017-18.

Members felt that the update on the Governance Challenge in the Annual Governance Statement (Appendix 1) relating to Safeguarding Vulnerable Children did not contain sufficient information; they felt that regular reports to the Children’s Safeguarding Board and Children’s Services Overview and Scrutiny Committee on Workloads of Children’s Social Care Services was not sufficient; they also felt that there was not enough information relating to the Ofsted Inspection of Children’s Services Improvement Plan and about the working group that was looking into this area.

It was stressed that it was concerning that the Children’s Safeguarding Board and the Overview and Scrutiny Committee had no indication that the situation was so dire until the outcome of the inspection and felt that, measures needed to be put in place to ensure that this situation did not occur again.

Members stressed the importance of officers providing accurate information.

The importance of how performance against the Ofsted Inspection of Children’s Services Improvement Plan was managed was emphasised and that vigorous steps were being taken to ensure that performance continued to be monitored well after March and beyond.

In response to the comments made by Members the Assistant Director Finance and Procurement stated that OFSTED would be monitoring the performance of the service rigorously.

Resolved-

That the Committee –

- **Reviewed the information contained in the report and the progress made in addressing the significant governance challenges.**
- **Endorses the further actions planned.**
- **Alerts officers and Members to any emerging governance concerns requiring review during the 2018-19 process.**

Action: Assistant Director, Finance and Procurement

49. INTERNAL AUDIT CHARTER

The Assistant Director, Finance and Procurement submitted **Document “AG”** which reported that in 2017 the Institute of Internal Auditors revised the Public Sector Internal Audit Standards which applied to local government. In order to be fully compliant with these standards a number of amendments needed to be made to the Council’s Internal Audit Charter. This report issues the new Internal Audit Charter for its approval by this Committee.

The Head of Internal Audit reported that an additional line needed adding to the Charter on the effectiveness of risk management, control and governance processes.

Resolved-

That the new Internal Audit Charter (attached to Document “AG”) be approved subject to the addition of the following paragraph at Section 1.5.1 of Document “AG”:

“The effectiveness of risk management, control and governance processes taking into account public sector internal audit standards and guidance”.

Action: Assistant Director, Finance and Procurement

50. 2018/19 INTERNAL AUDIT FOLLOW UP PROCESS

Internal Audit currently followed up its audit work in two ways – Annual follow up returns from Directors and performing individual follow up audits.

The Assistant Director of Finance and Procurement submitted **Document “AH”** which detailed the results of the Internal Audit Follow up exercise for 2018/19.

It was reported that the key findings from the follow up work were:

- There were a total of 58 reports containing 168 High Priority recommendations which were followed up with Directors.
- The total overall progress including partial completion reported by in the

Directors' returns showed implementation of recommendations was 76%, only slightly different to 2017/18 completion levels.

- The Directors' returns showed that 54% of reports and 50% of recommendations were fully implemented during the year which continued to show that implementation of recommendations was incremental and took time to complete.
- As with 2017/18, the progress data was incomplete as Children's Services had not been provided with updates from 6 school reports, which account for 33 of the 83 recommendations carried forward.
- Also, there was no reported progress during the year in implementing 6 previously followed up recommendations, in 4 reports. This was comparable in number with the position in 2017/18. However, a key difference was that in 2018/19, 5 of the 6 non-progressed recommendations related to 3 schools, none of which had provided an updated position. Whereas in 2017/18, all 5 non-progressed recommendations related to processes within the Council.
- Five individual follow up audits were being performed and from the work performed to date, Internal Audit was of the opinion that the Directors' returns were accurate.
- Limited progress in implementing agreed recommendations was noted in one of the follow up audits, although this was consistent with the Director's response.
- In the coming months, Internal Audit would work alongside departments to try and improve their performance in implementing agreed audit recommendations by following up on the implementation of agreed audit recommendations more frequently. During 2019/20 Internal Audit would move to make the follow up process timelier, by commencing the following up of audit recommendations, with the relevant actioning officer, two months after issuing the final audit report, and periodically from that point until all recommendations were confirmed as fully implemented.
- Significant concerns relating to lack of progress in reported implementation would be escalated to the relevant Assistant Directors for action. Strategic Directors would still be required to sign off an annual position statement for their department that would continue to be reported through to the Governance and Audit Committee.

Resolved-

That the Committee notes the content of the follow up exercise and approves the proposed changes to the Internal Audit Recommendations follow up process detailed in Document "AH".

Action: Assistant Director, Finance and Procurement

Chair