



**Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 24 January 2019 at 10.00 am in Committee Room 1 - City Hall, Bradford**

**Members of the Committee – Councillors**

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
M Pollard	Johnson Thornton Swallow	Reid

**Alternates:**

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
Cooke	Lal Slater 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:**

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

**To:**

## **A. PROCEDURAL ITEMS**

### **1. ALTERNATE MEMBERS (Standing Order 34)**

The 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 29 November 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. **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - LEVEL OF USE (QUARTERLY REVIEW)**

Previous Reference: Minute 10 (2018/19)

The City Solicitor will submit **Document “Z”** which provides information relating to:

- The number of authorised and approved covert surveillance operations by the Council for the periods 1<sup>st</sup> July 2018 to 30<sup>th</sup> September 2018 and 1<sup>st</sup> October 2018 to 31<sup>st</sup> December 2018.
- The Councils 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 highlights 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.

#### **Recommended-**

- (1) **That the contents of the report be noted.**
- (2) **That the Councils continued compliance with RIPA be noted.**

- (3) **That the Councils 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.**

(Richard Winter – 01274 434292)

**6. NORTHERN POOL JOINT GOVERNANCE COMMITTEE INTER AUTHORITY AGREEMENT**

The Director of West Yorkshire Pension Fund will submit **Document “AA”** which reports that in order to comply with Government Investment Pooling Guidelines it is 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 is operational by 1 April 2019, ahead of the next progress report to the Secretary of State it is necessary for this to be approved at this meeting.

**Recommended-**

**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.**

(Rodney Barton – 01274 432317)

**7. 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 meeting held on 1 November 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 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.**

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

The Council's Financial Regulations requires 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 "AB"** which reports on the minutes of the meeting of the WYPF Investment Advisory Panel held on 1 November 2018.

**Recommended –**

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

(Rodney Barton – 01274 432317)

**9. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) LOCAL PENSION BOARD MEETING HELD ON 17 OCTOBER 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 "AC"** which reports on the minutes of the meeting of the WYPF Local Pension Board held on 17 October 2018.

**Recommended –**

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

(Rodney Barton – 01274 432317)

## 10. EXTERNAL AUDIT CERTIFICATION OF GRANTS REPORT 2017/18

The External Auditor will submit **Document “AD”** which summarises 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.

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).

### **Recommended-**

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

(Mark Dalton – 0113 3878735)

## 11. EXTERNAL AUDIT PROGRESS REPORT

The External Auditor will submit **Document “AE”** which updates the Committee on:

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

### **Recommended-**

**That the Governance and Audit Committee notes and considers:**

- **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.**

(Mark Dalton – 0113 3878735)

## 12. 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 28<sup>th</sup> 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 will submit **Document “AF”** which updates Members on the progress and improvements being made in addressing those significant governance concerns reported in the Council’s Annual Governance Statement 2017-18.

### **Recommended-**

**That the Committee –**

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

(Andrew Crookham – 01274 433656)

## 13. INTERNAL AUDIT CHARTER

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

### **Recommended-**

**That the new Internal Audit Charter (attached to Document “AG”) be approved.**

(Andrew Crookham – 01274 433656)

**14. 2018/19 INTERNAL AUDIT FOLLOW UP PROCESS**

Internal Audit currently follows 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 will submit **Document “AH”** which details the results of the Internal Audit Follow up exercise for 2018/19.

**Recommended-**

**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”.**

(Mark St Romaine – 01274 432888)



## Report of the City Solicitor to the meeting of the Governance and Audit Committee to be held on 24<sup>th</sup> January 2019

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**Z**

**Subject: Regulation of Investigatory Powers Act 2000 (RIPA) – Level of use (quarterly reviews)**

**Decision of the Governance and Audit Committee held on 30<sup>th</sup> July 2018:**

**REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) –  
POLICY, USE AND ENFORCEMENT ACTIVITY – QUARTERLY REVIEW**

**Resolved-**

- (1) That reports on use or none use of covert surveillance techniques should continue to be presented to the Committee quarterly.**

**Action: City Solicitor**

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City Solicitor  
Parveen Akhtar  
Report Contact: R J Winter – Solicitor  
Interim Team Leader Property Commercial and  
Development  
RIPA Coordinator and Monitoring Officer  
(RiCMO)  
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## 1. SUMMARY

This report is prepared to provide information relating to the above resolution and in particular:-

- 1.1 The number of authorised and approved covert surveillance operations by the Council for the periods 1<sup>st</sup> July 2018 to 30<sup>th</sup> September 2018 and 1<sup>st</sup> October 2018 to 31<sup>st</sup> December 2018.
- 1.2 The Councils 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).
- 1.3 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.

NB See Glossary of terms at APPENDIX 1 below.

## 2. BACKGROUND

The Council's use of authorised and approved covert surveillance operations for the periods above.

- 2.1 The Councils departments which have specific statutory powers to investigate criminal offences are as follows:-

- (a) Neighbourhood and Customer Services (NH&CS).
- (b) Environmental Health Service (EHS)
- (c) West Yorkshire Trading Standards Service (WYTSS).
- (d) Corporate Resources - Counter Fraud Team (CFT).
- (e) Planning Service and Building Control (PS&BC).
- (f) Housing Standards Service (HSS)
- (g) Antisocial Behaviour Team and Youth Offending Team (ASBT & YOT).
- (h) Licensing Services (Liquor and taxi etc.) (LS)

- 2.2 The Councils Departments which investigate breaches of employee discipline which may result in the detection of serious criminal offences are as follows:-

- (a) Adult Social Care. (ASC)
- (b) Children's Social Care (CSC)
- (c) Corporate Resources (CR).
- (d) Department of Place( DP)
- (e) Office of the Chief Executive. (CX)

- 2.3 The returns for Qtr. 3 (1<sup>st</sup> July 2018 to 30<sup>th</sup> September 2018) and Quarter 4 (1<sup>st</sup> October 2018 to 31<sup>st</sup> December 2018) are set out in the table below. A NIL RETURN is shown for all relevant departments which indicate that the enforcement services investigators are able to obtain evidence overtly without the need for covert surveillance. Where not applicable appears (N/A) the criminal offences investigated by the service do 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 cannot be authorised under RIPA.

Department/ Quarterly period (QTR)	EHS	WYTSS	CFT	PS& BC	HSS	ASBT & YOT& NH&C S	LS	Refusals	Authorisations /Approvals
QTR 3	0	0	0	n/a	n/a	n/a	n/a	0	0
QTR4	0	0	0	n/a	n/a	n/a	n/a	0	0
Dept. Quarterly period (QTR)	ASC	CSC	CS	DP	CX			Refusals	Authorisations /Approvals
QTR 3	0	0	0	0	0			0	0
QTR 4	0	0	0	0	0			0	0

2.4 The Council's CCTV system and use of it for covert surveillance by the Police and DWP.

- a) The Council owns a substantial CCTV system which assists in the prevention and detection of crime within the City Centre and is occasionally used by the Police or DWP.
- b) The table below shows comparative figures for QTR 3 and QTR 4.

Quarterly Period (QTR)	Police	DWP	Refusals	Accepted	Total Operations
QTR3	1	0	0	1	1
QTR 4	2	0	0	2	2

**3. OTHER CONSIDERATIONS- ANNUAL TRAINING AND RIPA UPDATES AND INTERNAL AUDIT**

- 3.1 Arrangements were made by the Councils RIPA Coordinator and Monitoring Officer (RiCMO) for a 2018/19 annual training update to be presented to relevant Council officers in November 2018 in the City Hall Bradford. This training was also offered to all officers across the 5 West Yorkshire authorities (WYLAW) and more than 70 delegates attended. The feedback from the delegates was that the training was a very useful update.
- 3.2 Training for 2019/20 will also be arranged following the internal audit by the Councils Senior Responsible Officer (Joanne Hyde) (SRO) and RiCMO.

## **4. FINANCIAL & RESOURCE APPRAISAL**

There are no financial implications arising from a resolution adopting the recommendations of this report.

## **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

The report is intended to audit potential risks of unauthorised covert surveillance by officers of the Council without authorisation and approval.

## **6. LEGAL APPRAISAL**

6.1 The use of covert surveillance in relation to the investigation of serious crime is a breach of the Human Rights Act 1998 in so far as it interferes with the person(s) being investigated private and family life and right to a fair trial.

6.2 A duly authorised and approved covert surveillance operation under RIPA is an authorised breach of a person's human rights and an absolute defence to a claim in damages for such a breach.

## **7. OTHER IMPLICATIONS**

### **7.1 EQUALITY & DIVERSITY**

There are no equality impact or diversity implications as a result of a resolution adopting the recommendations of this report

### **7.2 SUSTAINABILITY IMPLICATIONS**

There are no sustainability implications as a result of a resolution adopting the recommendations of this report.

### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

There are no greenhouse gas emission impacts as a result of a resolution adopting the recommendations of this report

### **7.4 COMMUNITY SAFETY IMPLICATIONS**

- (a) There are no community safety implications as a result of a resolution adopting the recommendations of this report.
- (b) Investigations into crime in the Councils district will continue by the police.
- (c) The Councils enforcement teams will continue to undertake investigations of criminal offences overtly and where necessary covertly with authorisation and approval from the Court.

### **7.5 HUMAN RIGHTS ACT 1998**

See legal appraisal above.

## **7.6. TRADE UNION**

There are no trade union implications as a result of a resolution adopting the recommendations of this report

## **7.7 WARD IMPLICATIONS**

There are no ward implications as a result of a resolution adopting the recommendations of this report

## **7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS**

There are no area committee implications as a result of a resolution adopting the recommendations of this report.

## **7.9 IMPLICATIONS FOR CORPORATE PARENTING**

There are no area committee implications as a result of a resolution adopting the recommendations of this report.

## **7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT**

See legal appraisal above.

## **8. NOT FOR PUBLICATION DOCUMENTS.**

8.1 The Central Register of applications for covert surveillance authorisation and approvals and all documents connected with criminal investigations not in the public domain.

8.2 The Police and DWP authorisations which led to the use of the Councils CCTV.

## **9. OPTIONS.**

9.1 The Council has no option but to comply with the legal provisions of RIPA 2000 and associated guidance, regulations and codes of practice.

## **10. RECOMMENDATIONS**

10.1 To note the contents of the report.

10.2 To note the Councils continued compliance with RIPA.

10.3 The Councils 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

## 11 APPENDICES

### Appendix 1 Glossary of terms and abbreviations

Abbreviation	title/term	Background/definition
RIPA 2000	Regulation of Investigatory Powers Act	Regulates the use of covert surveillance and data communication in respect of private persons.
SRO	Senior Responsible officer	Required to take an overview of the Councils use of covert surveillance and compliance with RIPA
CCTV	Close circuit television	Used for safety and security purposes within Council buildings and the city centre
CS	Covert surveillance	Surveillance which is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place.
DS	Directed surveillance	Surveillance which is covert, but not intrusive, and undertaken: <ul style="list-style-type: none"> <li>a) for the purpose of a specific investigation or operation;</li> <li>b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not that person is the target of the investigation or operation); and</li> <li>c) In a planned manner and not by way of an immediate response whereby it would not be reasonably practicable to obtain an authorisation prior to the surveillance being carried out.</li> </ul>
CHIS	Covert human intelligence source	A person is a CHIS if: <ul style="list-style-type: none"> <li>(a) s/he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);</li> <li>(b) s/he covertly uses such a relationship to obtain information or to provide access to any information to another person; or</li> <li>(c) S/he covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.</li> </ul>

IS	Intrusive surveillance	Intrusive surveillance is defined as covert surveillance that: a) is carried out in relation to anything taking place on any residential premises or in any private vehicle; and b) Involves the presence of any individual on the premises or in the vehicle or is carried out by means of a surveillance device. If the device is not located on the premises or in the vehicle, it is not intrusive surveillance unless the device consistently provides information of the same quality and detail as could be expected to be obtained from a device actually present on the premises or in the vehicle.
	Private information	Includes any information relating to a person's private or family life. Private life also includes activities of a professional or business nature (Amann v Switzerland (2000) 30 ECHR 843). "Person" also includes any organisation and any association or combination of persons.
	Confidential material	<i>Includes:</i> <ul style="list-style-type: none"> <li>▪ matters subject to legal privilege;</li> <li>▪ confidential personal information;</li> <li>▪ Confidential journalistic material.</li> </ul>
HRA 1998	Human Rights Act	Enacts ECHR into English Law i.e. absolute and conditional human rights
ECHR 1950	European Convention of Human Rights	Sets out absolute and conditional Human Rights across Europe
OSC	Office of the surveillance commissioner	Appointed by the government to oversee the police and other public bodies use of covert surveillance techniques.
OICC	Office of the Interception of Communications commissioner	Appointed by the government to oversee the police and other public bodies interception of data communications
NAFN	National antifraud Network	Joint local authority network for dealing with fraud of which the Council is a member
RiCMO	RIPA Coordinator and Monitoring Officer	Lead Officer on RIPA - Advises enforcement managers and officers of the RIPA process and procedure. Annually reviews and updates all relevant Policy and Guidance material and reports to CGAC
SNS	Social network sites	E.g. Facebook and Twitter

## 12. BACKGROUND DOCUMENTS

12.1 The Councils Policy and Guidance document- last update January 2019.

12.2 The November 2018 training material.

12.3 The 2017/18 and 2018/19 annual internal audit record. Draft January 2019

12.4 The Councils central training material last update January 2019

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## **Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 24 January 2019**

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**AA**

**Subject:**

**Northern Pool Joint Governance Committee Inter Authority Agreement**

**Summary statement:**

**In order to comply with Government Investment Pooling Guidelines it is 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. The first draft of this agreement was approved by the West Yorkshire Pension Fund Investment Advisory Panel at its meeting on 26 July 2018.**

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Rodney Barton  
Director

**Portfolio:**

**Leader of Council & Corporate**

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E-mail: [rodney.barton@bradford.gov.uk](mailto:rodney.barton@bradford.gov.uk)

**Overview & Scrutiny Area:**

**Corporate**

## **1. SUMMARY**

- 1.1 In order to comply with Government Investment Pooling Guidelines it is 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 is operational by 1 April 2019, ahead of the next progress report to the Secretary of State it is necessary for this to be approved at this meeting.
- 1.2 The first draft of this agreement was approved by the West Yorkshire Pension Fund Investment Advisory Panel at its meeting on 26 July 2018, for submission to the Governance and Audit Committee, and in due course Council, subject to review by the City Solicitor, and authorised the Director, WYPF, to amend it as expedient or necessary and put in place any ancillary documentation

## **2. BACKGROUND**

- 2.1 The Northern Pool (NP) partners are Merseyside, Greater Manchester and West Yorkshire Pension Funds, three large, cost effective Metropolitan funds. Individual funds will retain their current role of setting asset allocation and investment policy, and will delegate the oversight of implementing that policy to the Joint Committee.
- 2.2 A Joint Committee will be formed which will have responsibility for ensuring the appropriate structure and resources are in place to implement the policy required by each fund, those resources to be provided by the three Funds. Staff will remain in their current employment, but will be seconded to act for the other funds where that is required.
- 2.3 The Joint Committee will consist of two Members appointed by each Fund plus a total of three trade union representatives. It will not have any direct involvement in the appointment of managers, or selection of investments. These matters will be fully delegated to professional officers. Its role is set out in Schedule 2 to the Agreement, 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.
- 2.4 The long term vision for the pool is 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.
- 2.5 The investment philosophy is 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.

### **3. OTHER CONSIDERATIONS**

3.1 The programme for establishing the NP consists of

- Establishing the Northern Pool Joint Governance Committee by entering into the Northern Pool Operating Agreement (Appendix A), including the Terms of Reference for the Joint Governance Committee
- Procuring a joint custodian for all the assets of the Pool
- Developing the GLIL Infrastructure vehicle (see Appendix B), including FCA regulation to facilitate it becoming the national LGPS vehicle for infrastructure investment
- Developing NPEP (see Appendix B), a joint private equity vehicle.

3.2 Establishing the Joint Governance Committee is now the only outstanding item, as the custodian, infrastructure and private equity vehicles are in place.

### **4. FINANCIAL & RESOURCE APPRAISAL**

4.1 There are no direct financial implications, as the costs will be fully recovered from the West Yorkshire Pension Fund.

### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

5.1 This agreement is designed to ensure there are clear governance arrangements, and that risks are effectively managed and fully reported.

### **6. LEGAL APPRAISAL**

6.1 The drafts of the Northern Pool Joint Governance Committee Agreement have been reviewed by the City Solicitor, and the comments taken into account.

### **7. OTHER IMPLICATIONS**

7.1 None

### **8. NOT FOR PUBLICATION DOCUMENTS**

8.1 This legal agreement (Appendix A) has commercial implications, and is therefore not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

### **9. RECOMMENDATIONS**

9.1 **It is recommended that the Northern Pool Joint Governance Committee Agreement, 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.**

## **10. APPENDICES**

10.1 Appendix A: Northern Pool Joint Governance Committee Agreement (not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972).

10.2 Appendix B: Description of GLIL and NPEP

## **GLIL**

GLIL is a joint venture between the Northern Pool partners and LPPI, the pool for the London Pension Fund Authority, Lancashire and Berkshire pension funds.

Management is undertaken by the partners, its four directors being appointed by the four partners, while the transaction team consists of staff seconded from the four partners.

It is a distinctive and credible investor in infrastructure assets, and is regulated by the Financial Conduct Authority. It has commitments from the partners of £1.8 billion, and £1 billion is committed to assets.

It aims to participate alongside the most sophisticated infrastructure investors as a peer, giving access to the widest pool of available deals at the best possible price.

## **NPEP**

NPEP is a joint venture between the Northern Pool partners to invest in private equity funds with commitments of £1 billion.

The purpose of NPEP is to capture fee savings as a result of larger commitment sizes in private equity investment on a platform that will enable lower cost implementation of private equity investment strategy through reduced use of funds of funds, and greater investment through co-investment opportunities, which attract very low, if any, fees.

It will also increase the resilience and depth of the team and resources committed to private equity investment across the Pool, and broaden the scope of opportunities.

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## **Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 24 January 2019**

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**AC**

### **Subject:**

**Minutes of West Yorkshire Pension Fund (WYPF) Local Pension Board meeting held 17 October 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.

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Rodney Barton  
Director

### **Portfolio:**

**Leader of Council & Corporate**

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### **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 17 October 2018.



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## Minutes of a meeting of the West Yorkshire Pension Fund Pension Board held on Wednesday, 17 October 2018 in Aldermanbury House, Godwin Street, Bradford

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Commenced 10.00 am  
Concluded 12.10 pm

### Present – Councillors

Employer Representatives	Member Representatives
Councillor M Slater (Chair) – Bradford	Mr M Binks – Unison
Councillor G Burton – Wakefield	Mr C Sykes – Unison
Ms R Manning - Employer	

Apologies: Councillor James Lewis, Mark Morris and Gary Nesbitt

### Councillor Slater in the Chair

#### 1. 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.

#### 2. MINUTES

The Director, West Yorkshire Pension Fund, provided an update on the Guaranteed Minimum Pension (GMP) Reconciliation Exercise to wind up the contracted out element link between the Local Government Pension Scheme (LGPS) and the State Earnings Related Pension Scheme (SERP's) for members with service between 6 April 1978 and 5 April 1997.

#### Resolved –

**That the minutes of the meeting held on 28 March 2018 be signed as a correct record.**

#### 3. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

**4. WEST YORKSHIRE PENSION FUND AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2018**

The report of the Director, West Yorkshire Pension Fund (**Document “B”**) provided a summary of West Yorkshire Pension Fund’s financial position for the year ended 31 March 2018.

Members questioned the charges per member and it was agreed that they would be provided with a table of charges.

The commencement of the common custodian bank, Northern Trust, was discussed and it was explained that meetings were continuing.

Members queried how the key performance indicators compared against other Pension Funds and it was explained that although there were no national benchmarks available, from seeing other funds’ accounts and discussions with other funds, it was felt that comparisons were favourable.

The acquisition of new business confirmed the fund’s reputation and whilst administering that business it was evident that WYPF provided better response times and accuracy of calculations than previous providers.

**Resolved –**

**That the report be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

**5. MINUTES OF THE WYPF JOINT ADVISORY GROUP (JAG) 26 JULY 2018**

The report of the Director, West Yorkshire Pension Fund, (**Document “A”**) 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 the meeting of WYPF Joint Advisory Group, 26 July 2018 were submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

A Member questioned the message he should be communicating regarding the information required from employers for the Actuarial Valuation 2019. He was advised that it should be stressed to all employers that they are required to provide accurate information by 31 March 2019. For any outstanding leaver



forms for employees who had left employment the actuary will assume that they were still in service up until 31 March 2019..

Finance Directors for the five councils and fire authorities will be meeting with the Fund's Actuary on 1 November 2018 to discuss the annual review of their employer contribution rates. They will also have the opportunity to discuss any issues they may have in anticipation to the run up to the next valuation. It was questioned if that advice would also be available to all employers. It was explained that the actuary will be presenting an item at the annual meeting on the afternoon of 1 November 2018 and employers can raise questions/discuss any issues. Members were also assured that WYPF officers engaged with employers on a regular basis.

**Resolved –**

**That the minutes of the meeting held on 26 July 2018 be noted.**

**6. WEST YORKSHIRE PENSION FUND - FIVE YEAR INTERNAL AUDIT PLAN 2018/19 TO 2022/23**

The report of the Director, West Yorkshire Pension Fund, (**Document “C”**) presented the latest five year internal audit plan for West Yorkshire Pension Fund (WYPF). Members were advised that the plan was reviewed annually between WYPF finance team and City of Bradford Metropolitan District Council (CBMDC) Internal Auditors by carrying out a detailed assessment of WYPF business risks, pensions and investment regulatory compliance environments, and service developments.

Document “C” revealed that the latest plan delivered an increase in internal audit resource to cover increased operational activities from shared services and investment pooling activities in Northern Pool. Meetings were held monthly to allow issues to be identified in a timely fashion. It was explained that 11 internal audits had been completed in 2017/18 with no major risks identified. During 2018 two audits had so far been completed and no issues had been discovered. There were four audits currently in progress two of which were at an advanced stage and again no issues had been found.

Members were advised that additional work to support the custodial procurement and transfer of custodial arrangements for the Northern Pool and the transfer of data from the London Borough of Hounslow was on continuing.

A Member questioned if the five yearly audit of deferred pensions, last completed in December 2017, had been completed and it was confirmed that this had been concluded in March 2018. Recommendations arising from that work had reduced from five in 2012 to two in 2018.



**Resolved –**

**That the report be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

## **7. REGISTER OF BREACHES OF LAW**

The Director, West Yorkshire Pension Fund, presented **Document “D”** which reported that Section 70 of the Pensions Act 2004 (the Act) imposed a requirement to report a matter to the Pensions Regulator (tPR) as soon as reasonably practicable where a 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.

The Breaches of Law Register was appended to Document “D” and outlined the value of late contributions and actions taken. It was revealed that the only breaches were those of employers who had failed to pay employee contributions by the appropriate date. One notable employer had failed to make contributions each month and had been reported to The Pensions Regulator. A copy of the report to tPR was also appended to Document “D”.

The actions taken on the breaches were discussed and Members were assured that benefits to employees were guaranteed and would not be affected by employer late payments.

**Resolved –**

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

***ACTION: Director, West Yorkshire Pension Fund***

## **8. LOCAL GOVERNMENT PENSION SCHEME**

The Director, West Yorkshire Pension Fund, presented a report, **Document “E”** which updated Members on changes affecting the Local Government Pension Scheme.

Document “E” reported that, in addition to making the technical amendments which had previously been consulted on, the main changes made by the Amendment Regulations were:

- For members who left the Local Government Pension Scheme before 1 April 2014 to elect to receive payment of their deferred benefits from age 55, with reductions, without having to obtain the consent of their former employer.



- Changes to options available to members with a pre-2014 Additional Voluntary Contribution “pot”.
- The requirement to refund any surplus on a Scheme employer ceasing its participation in the Local Government Pension Scheme.

A Member questioned the likelihood of the life time allowance being reduced to below £1 million and, in response, it was explained that no information had been received and this was most likely a rumour.

The report explained that the Pensions Regulator (tPR) had published a report on the findings of the governance and administration survey (undertaken in November and December 2017) of public service pension schemes. The Pension Regulator’s report set out how tPR had interpreted the findings including, their expectations of those involved in running the schemes and what they would be doing over the next year to address the issues identified in the report.

A Member referred to the commentary in the report which highlighted that 34% of LGPS administering authorities held fewer than four pension board meetings a year. In tPR’s view that provided inadequate opportunity for pension boards to carry out their role effectively and it was questioned if WYPF Pension Fund’s meetings should be increased.

The Director, West Yorkshire Pension Fund, in response, explained that many funds did not have the level of scrutiny which was undertaken in West Yorkshire. It was acknowledged that although the Pension Fund Board had only two formal meetings per year there were a number of training events held to ensure Members had the skills and knowledge to hold the Fund to account. The Fund had a good relationship with the Pension Fund Regulator and the quality of governance was kept under review. The Unison representative reported that the issue had been discussed by the union and its view was that the Pension Fund should meet four times per year.

**Resolved –**

**That the report be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

## **9. DATA QUALITY**

The report of the Director, West Yorkshire Pension Fund (**Document “F”**) explains that The Pension Regulator’s (tPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member’s pension contributions.

This year, for the first time, LGPS funds were required to report on the quality of common and scheme-specific data in their scheme returns. Funds must have



plans in place to review data annually and, where necessary, put in place a data improvement plan setting out the steps taken to address any issues.

It was explained that there were two types of data which should be measured, common data and key scheme specific (conditional) data. It was reported that common data was basic data items which were used to identify scheme members and would include names, addresses, national insurance numbers, date of birth etc.

Conditional data was other data held in respect of members and their participation in the scheme and was data that was essential to calculate benefit entitlements.

It was explained that the Local Government Association (LGA) had been working over the summer on the details of what should be included in the list of conditional data for LGPS Funds. They undertook a consultation exercise which raised a number of questions and as a result they felt they didn't have the time or resources to formulate an agreed approach that was acceptable to all stakeholder before the scheme returns were to be submitted.

LGA had been in discussion with the Pensions Regulator (tPR), and it had been accepted that in the first year, data scoring on conditional data would be regarded as work-in progress and as a means to identify any issues and obstacles to scoring conditional data. Administering Authorities had, therefore, been advised to adopt their own approach to the details of conditional data to be measure this year in order to meet the Pension Regulators survey requirements. The LGA would recommence work in the next 12 months to re-open discussions about formulating a standardised basis for scoring conditional data for 2018/19 and beyond.

A Member questioned if the results would be published for each scheme and it was explained that scores would be shared for comparison purposes.

A particular data issue was reported as that of deferred members who failed to tell the WYPF that they had changed address. A data plan had been produced to address that issue and a tracing bureau engaged. A secure member portal was being developed to allow Members to update their data more easily.

Members were advised that a report would be provided at the next scheduled meeting with details of the data score and plans to improve performance.

**Resolved –**

**That the report be noted.**

***ACTION: Director, West Yorkshire Pension Fund***



## 10. RISK REGISTER

WYPF maintain a Risk register which contains 45 risks that had been identified and framed into scenarios. The risks had been rated, 22 of these above their acceptable tolerance level, 23 below the tolerance line.

The report of the Director, West Yorkshire Pension Fund, (**Document “G”**) informed Members of five risks from the 22 above their tolerance levels so that the Pensions Board could ensure adequate Management Action Plans were in place to monitor those risks. The risks, together with action taken to manage and mitigate those risks, were reported as follows:-

- Impact of Central Government Budget cuts
- Valuation continues to register a deficit in the pension fund
- Reduction in proportion of active members
- Lack of information sharing with employers
- Disaster recovery

The full Risk Register was appended to Document “G”.

A representative from CBMDC Internal Audit team confirmed that the risks were considered and well managed.

It was confirmed that a further five risks and action plans to manage and mitigate them would be provided at the next meeting.

### **Resolved –**

**That the five risks and action plans to manage and mitigate those risks contained in Document “G” be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

## 11. TRAINING, CONFERENCES, SEMINARS AND EVENTS

The report of the Director, West Yorkshire Pension Fund, (**Document “H”**) confirmed that the training of Pension Board members to understand their responsibilities and the issues they would deal with was a very high priority. The report listed a number of training courses, conferences, seminars and events which may assist them in their roles.

A summary of the training undertaken by Pension Board members during 2017/18 and 2018/19 was appended to the report together with a training needs analysis for members to complete annually to enable progress and knowledge to be recorded and to allow any training issues to be identified and addressed.



**Resolved –**

**(1) That all Pension Board members complete the training needs analysis, appended to Document “H”, on an annual basis so gaps in pension knowledge can be identified.**

**(2) That the events listed in Section 2 of Document “H” and the date of the next meeting on 26 March 2019 be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

**12. EXCLUSION OF THE PUBLIC**

Members were asked to consider if the item relating to the West Yorkshire Pension Fund Investment Advisory Panel (**Document “I”**) should be considered in the absence 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 26 April 2018 and 26 July 2018 because information would be disclosed which is considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).**

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

**13. MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL HELD ON 26 APRIL AND 26 JULY 2018**

The report of the Director, West Yorkshire Pension Fund, (**Document “I”**) 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 Investment Advisory Panel were submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.



Members were requested to review the Not for Publication minutes of the Investment Advisory Panel on 26 April and 26 July 2018 appended to Document "I".

**Resolved –**

**That the Not for Publication minutes of the Investment Advisory Panel on 26 April and 26 July 2018, appended to Document "I", 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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## **Report of External Audit to the meeting of the Governance and Audit Committee to be held on 24 January 2019**

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**AD**

### **Subject:**

Certification of Grants Report 2017/18.

### **Summary statement:**

The letter summarises 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.

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).

---

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## **1. SUMMARY**

The letter summarises the findings 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. This letter reports the findings from this work.

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).

## **2. BACKGROUND**

As the Council's appointed external auditor we act as agent of PSAA to certify specified claims in line with certification instructions issued by PSAA.

## **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**

That the Governance and Audit Committee considers the results of the certification work for 2017/18.

**11. APPENDICES**

Letter: Results of certification work 2017/18.

**12. BACKGROUND DOCUMENTS**

None

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20 December 2018

Dear Members

### Results of certification work 2017-18

As the Council's appointed auditor, we acted as an agent of Public Sector Audit Appointments (PSAA) who have responsibilities to make certification arrangements for specified claims and returns. For 2017/18 the only claim or return within this regime was the Housing benefit subsidy return. This letter reports the findings from this work.

In 2017/18 the prescribed tests for our Housing benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. For the Housing benefit subsidy return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

The 2017/18 Housing benefits return was amended and was subject to a qualification letter. Detailed findings, including the extrapolation of errors identified, were reported in our qualification letter to the Department for Work and Pensions (DWP) dated 29 November 2018. The table below details our findings.

Claim or return	Value of claim or return	Amended (1)	Qualified (2)
Housing benefit subsidy	£165,218,111	Yes - Subsidy increased by £55,692 from £165,162,419	Yes

- (1) Where an error was identified and it was possible to quantify the impact of the error across the whole population, the Council amended its return. Adjustments in 2017/18 related to cells not having been completed to claim subsidy for modified scheme cases, misclassified overpayments for non HRA cases, the incorrect input of earned income for a non HRA case and a correction in relation to an uncashed payment which had not processed correctly within Northgate.
- (2) Where an error was identified in sample testing and it was not possible to quantify the error the matter was reported as an extrapolated error in a qualification letter to the Department.

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The key findings from our audit work are set out below:

#### **Rent allowance cases featuring earned income**

Due to errors identified in prior years extended testing of a sample of 40 cases was undertaken for cases in cell 94 with earned income. Our initial sample included 4 cases which included earned income, therefore in total 44 cases were tested. This testing identified one case where earned income had been input incorrectly resulting in underpaid benefit of £142, and one case where earned income was input incorrectly which resulted in benefit being overpaid by £1,606.

We reported in our qualification letter that given the nature of the population it was unlikely that even significant additional work would allow us to conclude that the relevant cell in the subsidy claim was fairly stated. If the DWP decide to extrapolate the identified errors from the test sample to the whole relevant population it would reduce cell 103 by £308,956 with a corresponding increase to cell 113 (LA Error). We understand from Council Officers that even if this extrapolation was actioned, the Council would stay below the LA Error lower threshold (cell 202) and thus total subsidy would not be impacted. As there is no entitlement to subsidy for benefit which has not been paid, the case that resulted in an underpayment has not been treated as an error for subsidy purposes and has been excluded from this extrapolation.

#### **Non HRA cases featuring earned income**

Errors in the previous year resulted in additional testing being required on earned income in the current year. As this sub population is relatively small all cases in the sub population were subject to testing. This testing identified one case where earned income was overpaid by £42 and for which the return was amended. Testing also identified one case where the Council had failed to obtain evidence to support earned income in the claim. We reported this to DWP in our qualification letter and the Department may decide that failure to obtain evidence has resulted in subsidy being over claimed by £5,036. This value has not been subject to extrapolation.

#### **Non HRA cases eligible rent**

Errors arising within this sub population in the previous year's audit resulted in additional testing of 40 cases being required. This combined with the testing of 20 cases from our initial testing meant that 60 cases in total were tested. Our initial testing identified one case where incorrect entry of rent resulted in benefit being underpaid by £0.04. No further errors were noted. This fact was reported in our qualification letter sent to DWP and as this resulted in underpaid benefit (for which there is no entitlement to subsidy) no extrapolation was presented.

#### **Non HRA cases featuring student loan/and or bursary**

Our initial testing identified a case where the incorrect input of student loan and bursary income resulted in benefit being underpaid by £142. It was identified that this was the only such case in the sub population. As benefit was underpaid the return has not been amended and this finding has been reported to DWP in our qualification letter.

## Fees

PSAA set an indicative fee for our work on the Council's Housing benefit subsidy return. This indicative fee, and the final fee charged for 2017/18, is detailed in the table below:

Claim or return	2017/18 indicative fee	2017/18 final fee	2016/17 final fee
Housing benefit subsidy	£16,520	£16,520	£19,733

Yours faithfully



**Cameron Waddell**

Partner

Mazars LLP

*This letter is prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the City of Bradford Metropolitan District Council and we take no responsibility to any member or officer in their individual capacity or to any third party.*

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## **Report of External Audit to the meeting of the Governance and Audit Committee to be held on 24 January 2019**

---

**AE**

### **Subject:**

External Audit Progress Report.

### **Summary statement:**

The report:

- updates the Committee on progress with the 2018/19 audit;
- provides details of our 2018/19 'Financial Reporting Workshops';
- requests information from those charged with governance about arrangements to prevent and detect fraud and to comply with applicable laws and regulations; and
- highlights key emerging national issues which may be of interest to the Committee.

---

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## **1. SUMMARY**

This report provides the Governance and Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Our initial planning and risk assessment remains in progress. We will present our Audit Strategy Memorandum (ASM) to the March 2019 Governance and Audit Committee for discussion. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts and the value for money conclusion, and our approach to the audit.

As part of our audit we need to understand how the Governance and Audit Committee, as those charged with governance, gains assurance over management processes and arrangements:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

In our progress report we ask some questions about these arrangements and would be grateful if the Committee could provide a response by the end of March 2019. The request also covers the appropriateness of the going concern assumption.

The report also highlights our 2018/19 'Financial Reporting Workshops' and emerging issues and developments which may be of interest to Members of the Committee.

## **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**

That the Governance and Audit Committee notes and considers:

- 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.

**11. APPENDICES**

External Audit Progress Report.

**12. BACKGROUND DOCUMENTS**

None



# External Audit progress report

City of Bradford Metropolitan District

Council

January 2019





## CONTENTS

- 1. Audit progress**
- 2. Request for information**
- 3. National publications**

This document is to be regarded as confidential to the City of Bradford Metropolitan District Council. It has been prepared for the sole use of the Governance and Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

# 1. AUDIT PROGRESS

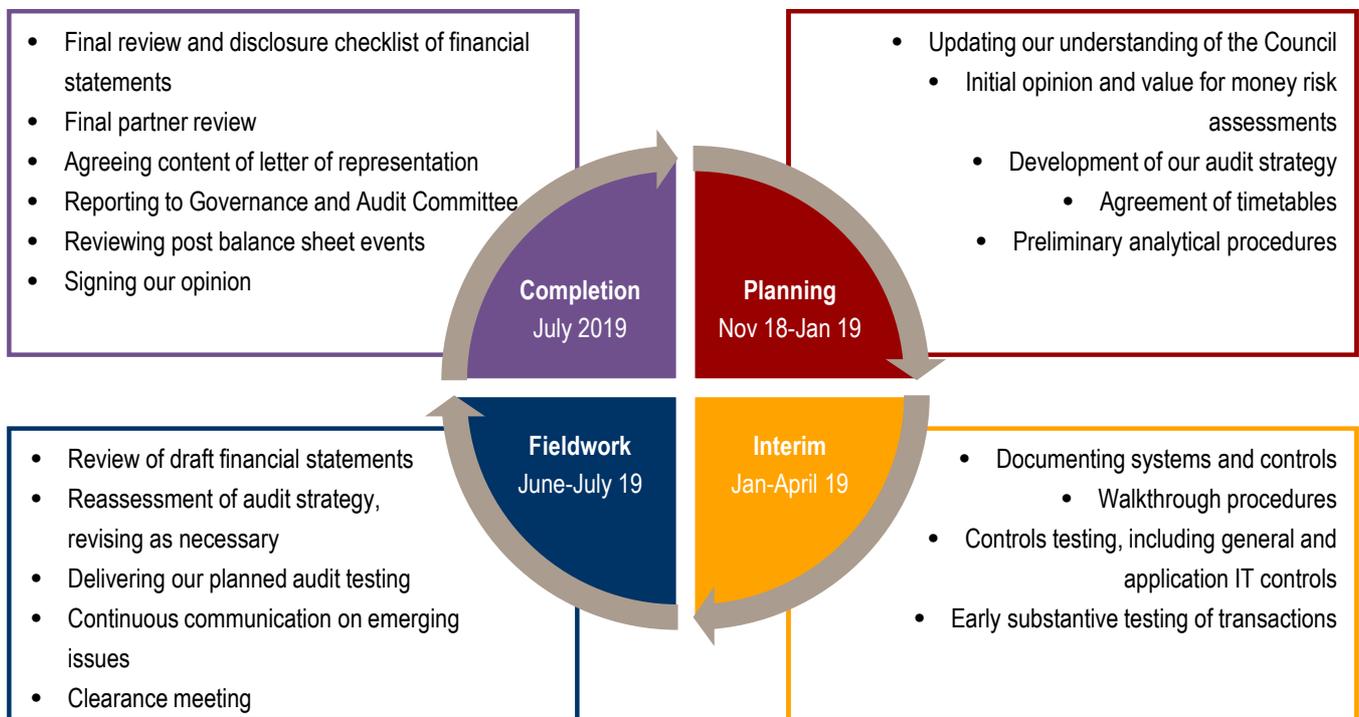
## Purpose of this report

This report provides the Governance and Audit Committee with an update on progress in delivering our responsibilities as your external auditor.

## Audit progress

Our key audit stages are summarised in the diagram shown below. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Governance and Audit Committee for discussion. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts and the value for money conclusion, and our approach to the audit.

There are no significant matters arising from our work that we are required to report to you at this stage.



## Financial Reporting Workshops

Planning of our Local Government Financial Reporting workshops for early in the New Year is well advanced. These workshops provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. Agenda items will include a revisit of 2017/18 issues including early close implications, changes in the 2018/19 Code and a forward look to future regulatory and policy changes. The Leeds event is on Wednesday 30<sup>th</sup> January 2019 at our new Leeds Office at Wellington Place and we have invited relevant officers from the Council.



## 2. REQUEST FOR INFORMATION

International Auditing Standards require auditors to enquire about arrangements the entity has put in place:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

Our request also covers the appropriateness of the going concern assumption.

We list our questions below and would be grateful if the Committee could provide a response by 31 March 2019. Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work we need to undertake.

1. How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;
- identifying and responding to risks of fraud in the Trust, please detail any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behaviour; and
- communicating to you the processes for identifying and responding to fraud or error.

2. How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2018/19?

3. How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2018/19?

4. Are you aware of any actual or potential litigation or claims that would affect the financial statements?

5. Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?

## 3. NATIONAL PUBLICATIONS

	Publication / update
<b>National Audit Office (NAO)</b>	
1.	Departmental overview – Department of Education 2017-18
2.	Adult social care at a glance
3.	Financial sustainability of local authorities 2018 visualisation
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>	
4.	Code of Practice on Local Authority Accounting / supporting guidance notes for practitioners – 2018/19 Accounts
5.	Implementation date for IFRS 16 Leases

### 1. Departmental overview – Department of Education 2017-18, NAO, November 2018

The NAO has published an Overview of the Department of Education which summarises the structure of the Department, how it spends its money, commitments for the future years, key developments including Exiting the European Union and findings from recent NAO reports.

The report also focuses on five areas of importance to the Department which also include findings from NAO reports: academies, teachers, access to higher education and skills development, student loans and oversight and inspection.

<https://www.nao.org.uk/report/departmental-overview-department-for-education-2017-2018/>

### 2. Adult social care at a glance, NAO, July 2018

This overview updates the report 'Adult social care in England: an overview (2014)', highlighting key trends, developments and system pressures. This report includes a diagram setting out the interaction of local authority and health services amongst others.

Adult social care covers social work, personal care and practical support for adults with a physical disability, a learning disability, or physical or mental illness, as well as support for their carers. The overview summarises access to and also types of adult social care, accountability, developments in the sector since 2014, spending on social care, the needs, outcomes and market for care. The overview also summarises the various reports issued by the NAO on specific programmes and issues relating to adult social care.

<https://www.nao.org.uk/report/adult-social-care-at-a-glance/>

### 3. Financial sustainability of local authorities 2018 visualisation, NAO, November 2018

The NAO have published interactive visualisations that describe the changes in the local authorities' financial circumstances from 2010-11 to 2016-17.

The data presented shows changes in income and spending along with an analysis of factors such as budget overspends and use of reserves. These figures vary for a range of reasons such as local political priorities, changes in local demand and changes in government policy and priorities. The report warns that any comparison between places need to be undertaken with caution. The complexity of factors underlying the data means that differences in figures presented should not be viewed as indicative of the current 'performance' of an authority. Any differences between authorities is an opportunity to ask further questions to gain a better understanding of what is happening locally.

Council's can use these visualisations to explore the broad trends identified in the NAO report Financial sustainability of local authorities 2018 (July 2018) in order to increase their understanding of individual local authorities.

<https://www.nao.org.uk/highlights/financial-sustainability-of-local-authorities-2018-visualisation/>

1. Audit progress

2. Request for information

3. National publications

4. Contact details

### 3. NATIONAL PUBLICATIONS

#### 4. Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018-19 Accounts, CIPFA, December 2018

CIPFA has published the Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018-19 Accounts. The guidance notes detail key accounting changes introduced by the 2018-19 accounting code and provide practical support for the preparation of the year-end accounts.

Other recent and related publications from CIPFA which Council's may wish to be aware of include:

- Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2018-19 Accounts;
- Service Reporting Code of Practice for Local Authorities 2019-20;
- The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2018 edition);
- Treasury Management in the Public Services: Guidance Notes for Local Authorities including Police and Fire Authorities (2018); and
- LGPS Fund Accounts 2018-19: Example Accounts and Disclosure Checklist.

<https://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

#### 5. Implementation date for IFRS 16 Leases, CIPFA, December 2018

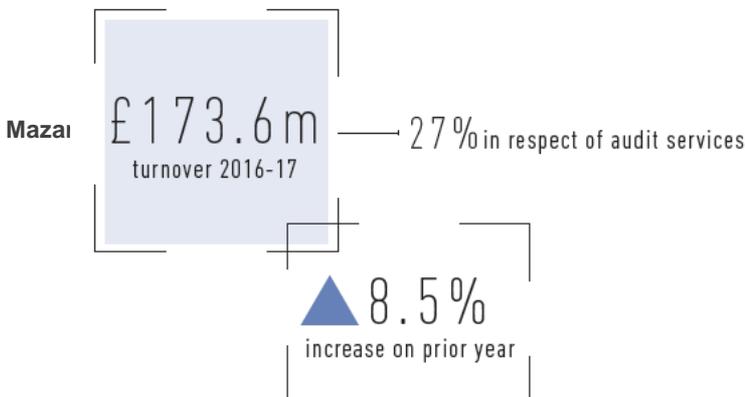
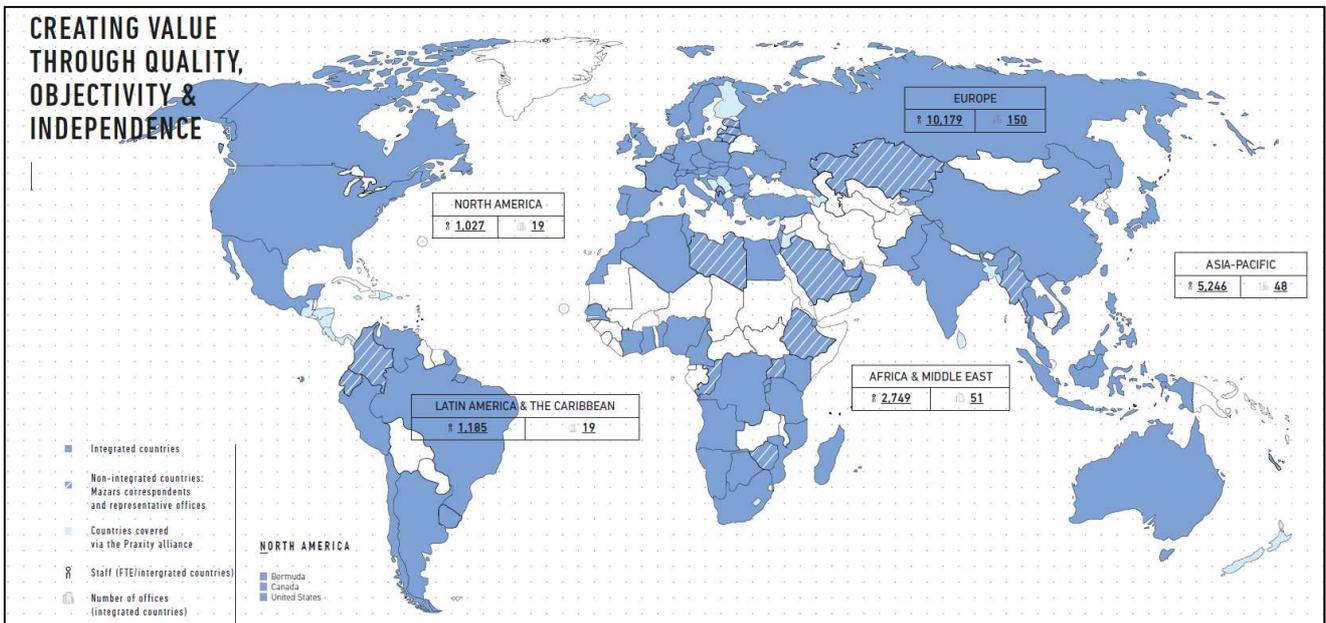
Council will wish to be aware of this statement from the CIPFA/LASAAC Code board on the implementation date of IFRS 16 Leases. CIPFA/LASAAC have confirmed that the effective date of implementation in the Code has been deferred for one year only to 1 April 2020, for alignment with the wider public sector.

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board>

# MAZARS AT A GLANCE

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## **Report of the Assistant Director of Finance and Procurement to the meeting of the Governance and Audit Committee to be held on 24 January 2019**

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**AF**

### **Subject:**

**Annual Governance Statement 2017-18 Review**

### **Summary statement:**

**This report reviews progress on the significant governance concerns reported in the Council's Annual Governance Statement 2017-18**

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**Portfolio:**  
**Leader and Corporate**

**Improvement Area:**  
**Corporate**

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## 1. Summary

The purpose of this report is to update members on the progress and improvements being made in addressing those significant governance concerns reported in the Council's Annual Governance Statement 2017-18.

## 2. Background and Process

**2.1** The annual governance review is undertaken against the principles contained in the CIPFA/Solace framework – Delivering Good Governance in Local Government. The Council is required to consider the effectiveness of its current arrangements and:

- Assess the extent to which it complies with the principles and requirements of good governance
- Identify systems, processes and documentation that provide evidence of compliance
- Identify and ensure individuals and committees hold responsibility for governance arrangements and their ongoing application and effectiveness
- Identify issues that have not been addressed adequately and any planned changes required in the future
- Prepare an action plan, identifying any individuals responsible for taking any changes forward

**2.2** The Annual Governance Statement (AGS) was formally reviewed and approved by the Governance & Audit Committee at its meeting on 28<sup>th</sup> 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.

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

## 3. Review and Conclusion

The Annual Governance Statement identified eight continuing governance challenges,

- Safeguarding Vulnerable Children
- Ensuring an effective, integrated system of health and social care
- Maintenance of Council Core Systems
- Procurement Arrangements
- The Council will need to make further progress on the Local Government Peer Review improvements and the decisions of the Council's Outcome Boards.
- Ensure the new consultation toolkit for the quality assurance of consultation processes is embedded in services.
- The adoption of the General Data Protection Regulations across the Council.
- During January 2018, the Council's Internal Audit function was peer reviewed by colleagues from Doncaster Council to assess compliance with the Public Sector Internal Audit Standards (PSIAS).

A comprehensive review of these governance issues has been undertaken and a detailed update is provided in Appendix 1. Council officers recognise the need for

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continuing effort to achieve improvements in the delivery and operation of their services.

#### **4. Financial and resources appraisal**

There are no direct financial implications arising from this report.

#### **5. Risk Management**

The Council's risk management framework remains in place and, as previously reported, corporate risks are reviewed regularly, at quarterly intervals. There are no new risk management issues arising from this report.

#### **6. Legal appraisal**

**6.1** The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of the Council's governance framework including the system of internal control.

**6.2** The Council is required to test its governance arrangements against the principles contained in the CIPFA/Solace framework 'Delivering good governance in Local Government'.

**6.3** The CIPFA/Solace framework also requires the Council to provide an outline of the actions taken, or proposed, to deal with significant governance issues.

#### **7. Other implications**

##### **7.1 Equal and Diversity**

Risk management assists in ensuring barriers to the delivery of services are reduced which in turn supports the achievement of equality and diversity.

##### **7.2 Greenhouse Gas Emission Impacts**

There are no impacts on gas emissions.

##### **7.3 Sustainability Implications**

The Annual Governance Statement will examine the sustainability of the Council's activity and ensures that mechanisms are in place to deliver business continuity.

##### **7.4 Community Safety Implications**

Community safety implications are considered when identifying strategic risks such as safeguarding.

##### **7.5 Human Rights Act**

The Annual Governance Statement will take into account any Human Rights Act implications.

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## **7.6. Trade Union**

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

## **7.7 Ward Implications**

In general the Annual Governance Statement does not focus on individual ward issues.

## **7.8 Implications for Corporate Parenting**

None

## **7.9 Issues Arising from Privacy Impact Assessment**

None

## **8. Not for publication documents**

None.

## **9. Options**

Members may –

- Endorse the report
- Provide comment or instruction
- Bring forward any new governance concerns which should be reviewed, assessed or examined for the 2018-19 Annual Governance Statement.
- Require further information.

## **10. Recommendations**

That members –

- Review the information contained in this report and the progress made in addressing the significant governance challenges.
- Endorse the further actions planned.
- Alert officers and Members to any emerging governance concerns requiring review during the 2018-19 process.

## **11. Appendices**

Appendix 1 - Annual Governance Statement 2017-18: Mid Year Review, Improvement and Progress Report.

## **12. Background documents**

“Annual Governance Statement 2017-18” – report to Governance and Audit Committee 28<sup>th</sup> June 2018 – Director of Finance.

## Annual Governance Statement 2017-18: Mid Year Review and Progress Report as at December 2018

Governance Challenge – AGS 2017-18	Response reported in AGS 2017-18	Update at December 2018	Responder
Safeguarding Vulnerable Children  Page 53	Demand levels for social care continue to rise and there are now over 1000 Looked After Children. This is putting pressure on social work delivery exacerbated by difficulties in recruiting good agency staff. A recruitment plan is in place, but there are short term challenges in finding staff of the required quality. Political scrutiny remains rigorous and the Bradford Children Safeguarding Board has continued to monitor the safeguarding arrangements. External challenge is being provided through a mock inspection from an ex HMI, and an audit centre and a number of actions have arisen from this.	Demand levels for social care continue to rise and there are now over 1040 Looked After Children. There has also been a significant rise in the number of children on child protection plans. This is putting pressure on social work delivery. Further recruitment of social workers is underway, but there is significant competition for experienced social workers and retention remains an issue which is being closely monitored. A regular workload report is shared with Children's Overview and Scrutiny and Bradford Children Safeguarding Board has continued to monitor the safeguarding arrangements. Following the October 2018 Ofsted inspection report an Improvement Board has been established and a statement of action will be submitted to Ofsted. Regular Monitoring visits will be held throughout 2019.	J Hopkinson
Ensuring an effective, integrated system of health and social care	"Section 75" arrangements are in place for management of the Better Care Fund and other aspects of joint health and care commissioning. These arrangements are managed via the Executive Commissioning Board, reporting to the Health and Wellbeing Board. Integrated care delivery, via locality models, is being developed through two health and care partnerships for Airedale, Wharfedale and Craven, and for Bradford, with active participation by local authority teams. Arrangements are supported by partnership agreements reviewed and	Work continues to take place to strengthen the governance arrangements within the Health and Social Care System, which include: <ul style="list-style-type: none"> <li>• CQC Action Plan has been agreed by the System Leadership to accelerate improvement activity and challenges highlighted through the review process</li> <li>• The Health and Wellbeing Board has approved the Memorandum of Understanding for the West Yorkshire and Harrogate Health and Care Partnership</li> <li>• Council officers are engaged in the design of a new strategic partnership agreement that will be presented to the Executive in Spring 2019.</li> <li>• The Section 75 agreement between the Council</li> </ul>	L Sowray

Governance Challenge – AGS 2017-18	Response reported in AGS 2017-18	Update at December 2018	Responder
	<p>refreshed in April 2018. These are aligned with regional developments via Integration and Change Board which also reports to the Health and Wellbeing Board. The approach to health and care system governance has been endorsed by CQC local, place based review in March 2018.</p>	<p>and NHS will be renewed (legal input has been agreed) by April 2019.</p> <ul style="list-style-type: none"> <li>• Work has started on the establishment of a formal Health and Social Care Economic Partnership Board. Consultants to support the set up will be identified by the end of December with the aim to have the new Board in place by summer 2020</li> <li>• Health and Wellbeing Board has agreed the development of Logic Models that summarise how the system will monitor the impact of its collective interventions – aligned to high level plans strategies.</li> <li>• The Integrated Care Board (ICB) has agreed to use the current planning round to refocus investment in accordance with the shared Happy Healthy at Home plan. This will mean a greater focus on prevention, rather than investing equally in all portfolios and will require a shared approach to the engagement of regulatory bodies, along with a clear shared management of system risks</li> <li>• ICB has also agreed for work to be done to enhance system wide communication – this is aligned to activity agreed as part of the CQC Action Plan</li> <li>• Executive Commissioning Board has overseen and monitored the recommissioning of the Carers Service.</li> </ul>	
Procurement Arrangements	<p>A number of procurement issues occurred through the year which had to be investigated and the impact of them assessed. Training for Senior Leadership Team has been carried out and a training and awareness development programme for managers has been created that will be</p>	<p>Service compliance with Contracts Standing Orders, procurement processes and procedures are monitored and challenged by the Procurement Service. Instances of non compliance are logged and reported to the Director of Finance and management.</p> <p>Supplier payment processes and procedures are now</p>	D Farr A Crookham

Governance Challenge – AGS 2017-18	Response reported in AGS 2017-18	Update at December 2018	Responder
	rolled out during 2018/19.	<p>closely monitored across all Council service areas and cross referenced to procurement procedures and contract records; non-compliant requests are logged and reported to the Director of Finance. A review of satellite ordering systems has been carried out to increase central controls and visibility.</p> <p>Focussed training for all staff affected by the identified procurement issues was delivered, with on-going Officer and Member training identified as key activities in the (currently draft) Procurement Strategy.</p>	
<p>Maintenance of Council Core Systems</p> <p>Page 55</p>	<p>The implementation of the budgetary reductions and the need to protect front line services has led to the Council finding it more difficult to resource and update some of the Council's management systems such as risk and health and safety. Whilst improvements have been implemented securing compliance across the Council remains a challenge. Human Resources, through the Occupational Safety Section, continue to review, update and improve safety management processes. A review of the service to closer align activity and resource with corporate objectives is nearly concluded and will result in changes to roles. The new electronic accident reporting system is now embedded and the data from this is being increasingly used to identify trends and actions required to minimise risks. A new Health and Safety Review process is</p>	<p>Updating of the main health and safety working processes continues with the majority of them now complete. The health and safety review process has been implemented but take up in its use is slow. The review of the Occupational Safety service to closely align it to corporate objectives including a change to job roles is on-going with some changes implemented. A review and update of the Corporate Health and Safety Risk Register has been carried out; despite some improvements overall level of risk remains the same. This review included analysis of the accident data for 2017 -2018 and a findings report being sent to senior management teams. Confidence in the use of the accident report module across the Council continues to rise and we are also seeing an increase in the reporting of violence at work incidents. Health and safety updates continue to be sent to CMT.</p> <p>Risk Management Reporting Corporate Risks to the Executive has now</p>	S Jenkins

Governance Challenge – AGS 2017-18	Response reported in AGS 2017-18	Update at December 2018	Responder
<p>Page 55</p>	<p>currently being piloted to allow managers to assess compliance with health and safety requirements and to identify areas where further action is needed. Regular update reports are provided to CMT on Health and Safety to keep top management apprised of the effectiveness of the organisation's safety management and to ask for decisions on key issues. Further work on risk management has continued which has seen a refresh of the risk coordinator network, a risk reporting timetable established for the Council Management Team and consolidation of the departmental risk registers.</p>	<p>been established. A risk workshop was held in November 2018 where a draft revised risk strategy was considered. This will be developed over the next six months and include a review of how risks are captured and escalated through the organisation.</p>	<p>M St.Romaine</p>
<p>The Council will need to make further progress on the Local Government Peer Review improvements and the decisions of the Council's Outcome Boards.</p>	<p>New challenge</p>	<p>We are working to ensure that improvement in the council is subject to rigorous challenge whilst providing support to colleagues. There is an established governance structure at CMT and Outcome Board Level to monitor and report on progress against the Transformation Programmes outlined in the Council Plan Delivery Programme.</p>	<p>AM Baker P Witcherley</p>
<p>Ensure the new consultation toolkit for the quality assurance of consultation processes is embedded in services.</p>	<p>New challenge</p>	<p>The Council's consultation toolkit was launched in 2017. This was followed by a series of masterclass workshops run in conjunction with representatives of the Local Government Association, following the launch of their own New Conversations Guide. Colleagues from across Council departments attended these workshops. More recently the commitments made in 2017 were further</p>	<p>D Greenwood</p>

Governance Challenge – AGS 2017-18	Response reported in AGS 2017-18	Update at December 2018	Responder
		disseminated to departments with a session at a Senior Leadership Team meeting. This was additionally supported with communications around the 2019/20 budget consultation. It remains the responsibility of services to ensure they make best use of the resources available. Legal Services will however offer legislative advice, and Office of the Chief Executive are available as critical friend on the practicalities such as consultation methodologies and stakeholder mapping.	
<p>The adoption of the General Data Protection Regulations across the Council.</p> <p>Page 57</p>	New challenge	The GDPR Implementation plan was prepared for the time when the Data Protection Act 2018 became law. The plan has been reassessed as a working knowledge of the Data Protection Act 2018 was established. The revised GDPR and Data Protection Plan includes sections on Subject Access Requests, ICT Compliance, Communication Strategy, Staff Training, Policy Development, Procurement, Childrens Personal Data, Management of Breaches and Consent . Further work is being done to ensure management information is provided to monitor council performance in this area.	M St.Romaine J Hyde
During January 2018, the Council’s Internal Audit function was peer reviewed by colleagues from Doncaster Council to assess compliance with the Public Sector Internal Audit Standards (PSIAS).	The review found that the Internal Audit service was rated as ‘partially conforms’ against the standards and provided the Council with fifteen recommended actions for improvement.	An update of progress against the Quality Assurance Improvement Plan was reported to the November 29 <sup>th</sup> 2018 Governance and Audit Committee. There has been significant progress with the successful recruitment of four new Senior Auditors to the department. A revised Internal Audit Charter will be presented to the Governance and Audit Committee in January 2019. All the other recommendations from the review have been fully implemented or substantially completed.	M St.Romaine A Crookham

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**Report of the Assistant Director of Finance and Procurement to the meeting of the Governance and Audit Committee to be held on 24 January 2019.**

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**AG**

**Subject:**

**INTERNAL AUDIT CHARTER**

**Summary statement:**

**This report issues the new Internal Audit Charter for its approval by the Governance and Audit Committee.**

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**Portfolio: Leader and Corporate**

**Overview and Scrutiny Area: Corporate**

## **1. SUMMARY**

- 1.1 In 2017 the Institute of Internal Auditors revised the Public Sector Internal Audit Standards which apply to local government. In order to be fully compliant with these standards a number of amendments need to be made to the Council's Internal Audit Charter. This report issues the new Internal Audit Charter for its approval by the Governance and Audit Committee.

## **2. INTERNAL AUDIT CHARTER**

- 2.1 The changes to the Public Sector Internal Audit Standards in 2017 consolidated the requirements from the original standards. The Internal Audit Charter detailed in Appendix 1 incorporates these changes. The key differences are summarised below:

- A Mission Statement is now included in the Charter
- There is further clarification on how Audits are managed where operations are the responsibility of the Head of Internal Audit and the protections that are in place to maintain Internal Audit independence.
- There is a requirement to consider the views of the Governance and Audit Committee, if significant consultancy services are to be undertaken.
- The Annual Internal Audit Opinion will include a statement whether Internal Audit activity conforms with Public Sector Internal Audit Standards disclosing any areas of non compliance.
- The role of Council Management Team in determining Internal Audit priorities is defined in the Charter.

## **4. OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION**

- 4.1 Not Applicable.

## **5. OTHER CONSIDERATIONS**

- 5.1 There are no other considerations.

## **6. OPTIONS**

- 6.1 Not applicable

## **7. FINANCIAL AND RESOURCE APPRAISAL**

- 7.1 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 and deal with financial uncertainty.

## **8. RISK MANAGEMENT**

8.1 The work undertaken by Internal Audit is primarily concerned with examining risks within various systems of the Council and making recommendations to mitigate those risks.

8

## **9. LEGAL APPRAISAL**

9.1 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. These standards are detailed in the Public Sector Internal Audit Standards supported by CIPFA's Local Government Application Note.

## **10. OTHER IMPLICATIONS**

### **10.1 Equality and 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.

### **10.2 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

### **10.3 Greenhouse Gas Emissions Impacts**

There are no impacts on Gas Emissions.

### **10.4 Community Safety Implications**

There are no direct community safety implications.

### **10.5 Human Rights Act**

There are no direct Human Rights Act implications.

### **10.6 Trade Union**

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

### **10.7 Ward Implications**

There are no specific Ward implications.

### **10.8 Implications for Corporate Parenting**

None

### **10.9 Issues Arising from Privacy Impact Assessment**

None

**11. NOT FOR PUBLICATION DOCUMENTS**

11.1 None.

**12. RECOMMENDATIONS**

12.1 That the Governance and Audit Committee approves the new Internal Audit Charter.

**12. APPENDICES**

Appendix 1 – Internal Audit Charter

**13. BACKGROUND DOCUMENTS**

13.1 Accounts and Audit Regulations 2015.

13.2 Public Sector Internal Audit Standards 2017.

# **INTERNAL AUDIT CHARTER**

## **JANUARY 2019**

**DEPARTMENT OF CORPORATE RESOURCES**

## **1. PURPOSE, AUTHORITY AND RESPONSIBILITY**

### **1.1 Mission**

To enhance and protect organisational value and public funds by providing risk based and objective assurance advice and insight.

### **1.2 Purpose**

1.2.1 Internal Audit is a statutory Council function which provides an independent, objective assurance service designed to add value and improve the Council's operations. It helps the Council to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It also plays an important role in the financial management of the Council through its audit of financial systems and transactions.

1.1.2 Internal control comprises of the whole network of processes established within the Council to ensure that its objectives are achieved in the most economic, efficient and effective manner.

### **1.3 Core Principals**

1.3.1 In order to deliver its service effectively Internal Audit will maintain and demonstrate the following principles in the delivery of its function

- Integrity
- Competence and professional care
- Objectivity and free from undue influence
- Alignment with the strategies, objectives and risks of the organisation
- Appropriately positioned and adequately resourced
- Quality and continuous improvement
- Effective communication
- Provision of risk based assurance
- Insightful, proactive and future focused
- Promotes organisational improvement

### **1.4 Authority**

1.4.1 Internal Audit is located within the Department of Corporate Resources. The function is led by the Head of Internal Audit, Insurance, Information Governance and Risk (HoIA), managed by the Council's Section 151 Officer under the Local Government Act 1972, as the officer responsible for making proper arrangements, for the administration of the Council's financial affairs. The work of Internal Audit assists the S151 Officer to fulfil this role.

1.4.2 In accordance with the Council's Constitution, the Governance and Audit Committee has responsibility for Internal Audit and as such it approves the Annual Internal Audit Plan, receives the Audit Plan Monitoring Report and the Annual Report.

## **1.5 Responsibility of Internal Audit**

1.5.1 In accordance with the Council's Financial Regulations Internal Audit, on behalf of the S151 Officer must monitor, review and report on:

- a) The soundness and adequacy of financial management control systems and how they are implemented.
- b) How far established policies, plans and procedures are complied with and the financial effect.
- c) How far assets, resources and interests are accounted for and safeguarded from losses due to fraudulent offences, waste, extravagance and inefficiency.

1.5.2 Internal Audit operates a follow-up procedure which requires the appropriate Strategic Director or Director to confirm that all accepted recommendations in their audit reports have been actioned.

## **1.6. Public Sector Internal Audit Standards**

1.6.1 In March 2017 the Public Sector Internal Audit Standards (PSIAS) were updated and refreshed by the Internal Audit Standard setters for the UK, which included the Chartered Institute for Public Finance and Accountancy, in collaboration with the Institute of Internal Auditors. This Internal Audit Charter has been prepared to support the implementation of the revised standards.

1.6.2 Within the Standards there is reference to responsibilities of the Chief Audit Executive and the Board. Within Bradford Council these roles are performed by the HOIA and the Council's Governance and Audit Committee respectively.

## **2. CODE OF ETHICS**

### **2.1 Integrity**

2.1.1 Internal auditors will perform their work with honesty, diligence and responsibility, observe the law and make disclosures expected by the law and the profession and respect and contribute to the legitimate and ethical objectives of the Council. They will complete a 'Declaration of Interest' form annually and update it when appropriate. Work will not be undertaken by an auditor where there is a conflict of interest. They will not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the Council. Internal Auditors are required to comply both with the Internal Audit Charter and Bradford Council's code of conduct for employees.

### **2.2 Objectivity**

2.2.1 Internal Auditors will not take part in any activity or relationship that may impair or be presumed to impair their unbiased assessment nor will they accept anything that may impair or be presumed to impair their professional judgement

2.2.2 Internal auditors will disclose all material facts known to them.

## **2.3 Confidentiality**

2.3.1 Internal Auditors will display confidentiality by acting prudently when using information acquired in the course of their duties and protecting that information in accordance with the Council's data protection and information security procedures. They will not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Council or the professional body / institute to which they belong.

## **2.4 Competency**

2.4.1 Internal auditors will only carry out services for which they have the necessary knowledge, skills and experience and perform services in accordance with the PSIAS. Internal Auditors will look to continually improve their proficiency and effectiveness and quality of their services, for example through CPD schemes.

## **3 INDEPENDENCE AND OBJECTIVITY**

### **3.1 Independence and Objectivity**

3.1.1 Internal Audit is independent and should have no executive responsibilities or any responsibilities for the development, implementation or operation of systems.

3.1.2 Internal Audit determines its own work priorities in consultation with the Council's Management Team. These priorities are identified within the Annual Internal Audit Plan, which is approved by the Governance and Audit Committee.

3.1.3 The PSIAS specify that where the HOIA is required to take on roles and responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. The HOIA's operational responsibility for Insurance, Risk Management and Information Governance are such responsibilities. Any internal audit activity for these services is conducted and managed without reference to the HOIA by an appropriately qualified Audit Manager who reports directly to the S151 Officer. The HOIA will regularly report to the Governance and Audit Committee on non audit duties obtaining their approval where required.

3.1.4 Internal Audit has access to all senior management including the Chief Executive within the Council. It follows that Internal Audit can report without fear or favour, to any Committee, Officer of the Council or School Governing Body.

## **4. PROFICIENCY AND DUE PROFESSIONAL CARE**

### **4.1 Proficiency**

4.1.1 Internal Audit is adequately resourced by a rich mix of professionally qualified and experienced staff. All staff will be assessed annually through the Council's managing performance programme which will identify any professional training needs. They are also encouraged to identify their own personal development needs, which are met wherever possible. The training resources available to Internal Audit are kept under review through the annual planning and monitoring process.

## **4.2 Professional Care**

4.2.1 Internal Audit will exercise due professional care by considering the:

- a) Extent of work needed to achieve an engagement's objectives
- b) Relative complexity, materiality or significance of matters to which assurance procedures are applied
- c) Adequacy and effectiveness of governance, risk management and control processes
- d) Probability of significant errors, fraud, or non-compliance
- e) The cost of assurance in relation to potential benefits
- f) Current activities, trends and emerging issues, to enable relevant advice and recommendations

## **5. MANAGING THE INTERNAL AUDIT ACTIVITY**

### **5.1 Planning**

5.1.1 Internal Audit prepares an Annual Risk Based Plan of assignments to be undertaken within the current financial year. The delivery of the Annual Plan allows Internal Audit to reach their opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, and to provide an assurance to management of the adequacy of the control environment.

5.1.2 The Annual Plan is based on a risk assessment which takes into account such factors as financial materiality, the control environment, the value of assets, corporate governance requirements, corporate risks, service priorities and date of the last audit. Senior Management and the Governance and Audit Committee are consulted on the contents of the plan to ensure that it prioritises corporate objectives and risks. The Governance and Audit Committee approves the Internal Audit Plan each year.

### **5.2 Internal Audit Activity**

5.2.1 Internal Audit's role is to independently review, evaluate and report upon the internal control procedures that management have established, both in financial and non financial systems and make appropriate recommendations whenever controls are found to be missing, excessive or not operating effectively.

5.2.2 Internal Audit will assess and make appropriate recommendations to improve the organisation's governance processes for:

- making strategic and operational decisions
- overseeing risk management and control
- promoting appropriate ethics and values within the organisation
- ensuring effective organisational performance management and accountability
- communicating risk and control information to appropriate areas of the organisation, and
- coordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers and management

5.2.3 Internal audit activity will evaluate risk exposures and the effectiveness of control relating to the organisation's governance, operations and information systems regarding the:

- achievement of the organisation's strategic objectives
- reliability and integrity of financial and operational information
- effectiveness and efficiency of operations and programmes
- safeguarding of assets, and
- compliance with laws, regulations, policies, procedures and contracts
- occurrence and management of fraud risk

5.2.4 Overall Internal Audit undertakes the following functions:-

- a) The continuous, systematic and structured review of the soundness, adequacy and application of the Council's internal control systems in accordance with the audit plan.
- b) Receiving notifications of all suspected or known losses or irregularities concerning cash, property, stores or other financial matters.
- c) Undertaking management reviews and reporting the findings to management for them to take the appropriate course of action.
- d) Reviewing and advising upon developing systems.
- e) Providing advice on financial systems, procedures, regulations, corporate governance issues and risk management.
- f) Contributing to the Council's objectives and best value whenever possible.

### **5.3 Internal Audit Authority**

5.3.1 In order to carry out its responsibilities Internal Audit has the authority to:

- a) Visit all Council premises to see cash, stores and other property.
- b) Have rights of access to records of partner organisations.
- c) Access any documents and all other data sources it thinks necessary.
- d) Ask any officer for any information and explanations it thinks necessary.
- e) Produce a report to the officer concerned who has to respond detailing the intended action to be taken on the report's recommendations.

### **5.4 Policies and Procedures**

5.4.1 The Internal Audit section has a detailed risk based audit approach which is the template for the completion of audit work. Procedures are regularly reviewed for all types of audits to ensure that they remain current and relevant such as changes to the risk based audit approach.

## **6. RESOURCES AND ENGAGEMENT PLANNING**

### **6.1 Resource Management**

- 6.1.1 The resources available to Internal Audit are determined by the Council's budgetary process. The HOIA has to determine whether the resources available are sufficient to support an effective Internal Audit function.
- 6.1.2 There is a full resource appraisal within the Internal Audit Annual plan as well as an analysis of any changes from the previous year's resource position. The annual plan is converted to individual six monthly plans for each auditor. This timetables audits to ensure that they are evenly spread across departments throughout the year and that any specific work with timetable requirements is accommodated.
- 6.1.3 Each audit is allocated a time budget and a time recording system is used by all auditors to manage their time against the budget.

### **6.2 Engagement Planning**

- 6.2.1 All Internal Audits are managed and documented on MK Insight Audit Management software, which details the objectives and scope of the audit. MK Insight considers the organisation's strategies, objectives and risks relevant to the engagement. This will include an assessment of risk and the resources available to complete the Audit. The objectives and scope will be agreed with the relevant management.
- 6.2.2 For each audit a work programme is developed that links identified audit risks with relevant controls and audit tests. The completed audit programme forms the basis of the auditor's evaluation of the effectiveness of the control environment and the impact of any control weaknesses.
- 6.2.3 All Audits will be fully documented with sufficient, reliable and relevant information that support the conclusions reached, with the results including any recommendations for improvement, reported and discussed with relevant management.

## **7. RISK MANAGEMENT**

### **7.1 Internal Control**

- 7.1.1 The responsibility for internal control rests fully with managers, who should ensure that appropriate and adequate arrangements exist without reliance on the internal audit function. It is for managers to accept and implement audit recommendations in the appropriate timeframe or to accept the risk resulting from not taking any action.

### **7.2 Risk Management**

- 7.2.1 Internal Audit will evaluate the effectiveness of the Council's risk management processes by determining that:
- a) Organisational objectives support and align with Council priorities.
  - b) Significant risks are identified and assessed.
  - c) Appropriate risk responses are selected that align risks with the Council's risk appetite.

- d) Relevant risk information is captured and communicated in a timely manner across the Council, thus enabling staff, management and the Council Executive to carry out their responsibilities.

## **8 GOVERNANCE**

### **8.1 Internal Audit will:**

- a) Promote appropriate ethics and values within the Council
- b) Support effective organisational performance management and accountability
- c) Communicate risk and control information to the Council
- d) Support the activities of and communicate information between the Governance and Audit Committee, external and internal auditors and management
- e) Make appropriate recommendations for improving the governance process
- f) Evaluate the design, implementation, and effectiveness of the Council's ethics-related objectives, programmes and activities
- g) Assess whether the organisation's information technology governance supports the organisation's strategies and objectives

## **9. REPORTING LINES AND RELATIONSHIPS**

### **9.1 Reporting**

9.1.1 The HOIA is required to deliver an annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion must be supported by sufficient, reliable and relevant information. The opinion will include a statement whether internal audit activity conforms with Public Sector Internal Audit Standards and disclosing any areas of non compliance.

9.1.2 Any significant findings or control weaknesses are detailed in the reports to the Governance and Audit committee. The findings of all individual audit assignments are always reported to the relevant Strategic Director, Director or the City Solicitor.

9.1.3 The HOIA should regularly attend meetings of the Governance and Audit Committee and can report to the Committee on any matter that affects their responsibilities or those of Internal Audit. The HOIA can if the need arises meet the Chair and / or the members of the Governance and Audit Committee in private to discuss matters of concern.

### **9.2 Relationships**

9.2.1 Internal Audit will maintain a good and effective working relationship with the External Auditor, and other inspection regimes in order to prevent duplication of coverage and enhance the level of service provided.

9.2.2 The Council's employees and members shall render every assistance to the internal auditors carrying out their audit responsibilities.

9.2.3 The Corporate Fraud Unit is responsible for undertaking investigations and providing advice on fraud and irregularity matters. A Service Level Agreement details the division of roles between the Corporate Fraud Unit and Internal Audit. Internal Audit has retained responsibility to ensure that, where an irregularity or fraud has occurred, the appropriate controls are in place and that weaknesses are identified and recommendations made to improve the control environment.

## **10. CONSULTANCY WORK**

### **10.1 Consultancy Work**

10.1.1 Consultancy work will only be undertaken if it does not compromise Internal Audit's independence and objectivity. Internal Audit will consider the needs and expectations of clients, including the nature, timing and communication of the engagement. This will take account of the relative complexity and extent of work needed to achieve the engagement's objectives. Cost of the consulting engagement will be assessed against the potential benefits. Each consultancy piece of work is supported by a job sheet which requires all of the factors identified to be considered. Approval will be sought from the Governance and Audit Committee for any significant consulting service not already included in the audit plan, prior to accepting the engagement.

## **11. QUALITY ASSESSMENT OF INTERNAL AUDIT**

### **11.1 Internal Assessment**

11.1.1 An internal assessment of Internal Audit will be completed by the HOIA each year. This will include a sample of the quality of internal audit activity along with any changes to the overall internal audit process and also include an evaluation of client feedback. The results of this and any external assessment will be reported to the Governance and Audit Committee.

### **11.2 External Assessment**

11.2.1 PSIAS require an external assessment of the Internal Audit Service every five years by a qualified independent assessor from outside the organisation. The HOIA will agree with Governance and Audit Committee the form of external assessment and the qualifications and independence of the external assessor including any potential conflict of interest.

### **11.3 Quality Assurance Improvement Programme**

11.3.1 The results of any internal or external assessment process will be incorporated into the quality assurance improvement plan which will be included in the Annual Report to the Governance and Audit Committee.





**Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 24 January 2019.**

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**AH**

**Subject:**

**2018/19 INTERNAL AUDIT FOLLOW UP PROCESS**

**Summary statement:**

**This report details the result of the Internal Audit Follow up exercise for 2018/19.**

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Andrew Crookham  
Director of Finance

**Portfolio**

**Leader of Council and Corporate Portfolio**

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**Improvement Area:**

**Corporate**

## 1. SUMMARY

1.1 This report details the results of the Internal Audit Follow up exercise for 2018/19.

## 2. 2018/19 FOLLOW UP PROCESS

2.1 Internal Audit currently follows up its audit work in two ways – Annual follow up returns from Directors and performing individual follow up audits. The key findings from the follow up work are summarised below: Appendix 1 provides further detail.

- 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 show implementation of recommendations is 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 continues to show that implementation of recommendations is incremental and takes time to complete.
- As with 2017/18, the progress data is incomplete as Children's Services have 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 is comparable in number with the position in 2017/18. However, a key difference is that in 2018/19, 5 of the 6 non-progressed recommendations related to 3 schools, none of which have provided an updated position. Whereas in 2017/18, all 5 non-progressed recommendations related to processes within the Council.
- Five individual follow up audits are being performed and from the work performed to date, Internal Audit is of the opinion that the Directors' returns are 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 will 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 will 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 are confirmed as fully implemented.
- Significant concerns relating to lack of progress in reported implementation will be escalated to the relevant Assistant Directors for action. Strategic Directors will still be required to sign off an annual position statement for their department that will continue to be reported through to the Governance and Audit Committee. However, the new approach will allow information on progress to be mostly pre-populated when the annual position statement is called for.

## 4. OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION

4.1 Not Applicable.

## 5. OTHER CONSIDERATIONS

5.1 There are no other considerations.

## **6. OPTIONS**

6.1 Not applicable

## **7. FINANCIAL AND RESOURCE APPRAISAL**

7.1 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 and deal with financial uncertainty.

## **8. RISK MANAGEMENT**

8.1 The work undertaken by 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 2018/19 was drawn up and any issues on the risk register, that relate to an individual audit are included within the scope.

8.2 The key risks examined in our audits are discussed with management at the start of the audit and the implementation of recommendations is followed up with Strategic Directors.

## **9. LEGAL APPRAISAL**

9.1 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. These standards are detailed in the Public Sector Internal Audit Standards supported by CIPFA's Local Government Application Note.

## **10. OTHER IMPLICATIONS**

### **10.1 Equality and 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.

### **10.2 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

### **10.3 Greenhouse Gas Emissions Impacts**

There are no impacts on Gas Emissions.

### **10.4 Community Safety Implications**

There are no direct community safety implications.

#### 10.5 **Human Rights Act**

There are no direct Human Rights Act implications.

#### 10.6 **Trade Union**

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

#### 10.7 **Ward Implications**

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

#### 10.8 **Implications for Corporate Parenting**

None

#### 10.9 **Issues Arising from Privacy Impact Assessment**

None

### 11. **NOT FOR PUBLICATION DOCUMENTS**

11.1 None.

### 12. **RECOMMENDATIONS**

12.1 That the Governance and Audit Committee notes the content of the follow up exercise and approves the proposed changes to the Internal Audit Recommendations follow up process.

### 12. **APPENDICES**

Appendix 1 – Internal Audit 2018/19 Follow Up Exercise

### 13. **BACKGROUND DOCUMENTS**

13.1 Accounts and Audit Regulations 2015.

13.2 Public Sector Internal Audit Standards 2017.

2018/19 Internal Audit Follow Up Process

1. Internal Audit currently follows up its audit work in two ways – Annual follow up returns from Directors and performing individual follow up audits. The purpose of this section is to report the progress that Directors have confirmed as being made in implementing previously agreed Internal Audit recommendations and also to inform G&AC of the Internal Audit follow up audits undertaken during the year.

2. Annual Returns From Directors

2.1 Analysis of the Annual Returns from Directors is shown in Table One below.

**Table One: Analysis of Director’s Reported Rate of Implementation of Agreed Recommendations for Reports issued up to 31.03.18**

Department	Total in Follow Up		Overall Progress of Implementation		Outstanding Reports & Rec’s Carried Forward		No Reported Progress in Level of Implementation During Year	
	Reports	Rec’s	2018/19	2017/18	Reports	Rec’s	Reports	Rec’s
Chief Executive	4	4	90%	100%	1	1		
Children's Services	2	7	59%		1	6		
Schools	11	58	45%		7	35	3	5
Corporate Resources	22	39	85%	91%	9	13	1	1
Health & Wellbeing	4	32	87%	30%	3	20		
Place	15	28	91%	95%	5	8		
<b>Total for all Departments</b>	<b>58</b>	<b>168</b>	<b>76%</b>	<b>78%</b>	<b>26</b>	<b>83</b>	<b>4</b>	<b>6</b>

2.2 In 2018/19 there were a total of 58 reports containing 168 High Priority recommendations which were followed up with Directors. This included 19 reports and 30 agreed recommendations that were carried forward from last year’s follow up, and 39 reports and 138 agreed recommendations issued during the 2017/18 financial year. The Directors’ returns showed that 54% of reports and 50% of recommendations were fully implemented during the year, which is a decrease from 2017/18’s figures of 58% and 68% respectively and continues a downward trend being 70% and 78% respectively in 2016/17. If progress is adjusted to reflect overall progress for each report, including partial completion (as reported by Directors within the returns) the total overall progress of implementation of recommendations is 76%, only slightly different to last year.

2.3 However, as with 2017/18, the progress data is incomplete as Children’s Services have not been provided with updates from six of schools. There are three schools, Hanson School, St Bede’s & St Joseph’s Catholic College and Wycliffe CE Primary School where the reports were issued several years ago and the outstanding items relate to residual actions concerning voluntary funds and benchmarking. Consideration should be given to taking no further action on these reports.

2.4 There were three reports, Farfield Primary School, Grove House Primary School and Ingrow Primary School issued in 2017/18. These three schools accounted for 28 of the recommendations carried forward. It is therefore likely that the carry forward figure is overstated. Internal Audit will continue to seek an update on these

recommendations from these three schools with support from Childrens Management. It may be the case that the response from the Schools could have been delayed by the Christmas break.

2.5 The Director's returns showed no significant change in the number of reports and recommendations carried forward for more than one year and for which no progress had been made. However, the key difference to note is that in 2018/19 5 of the 6 non-progressed recommendations related to 3 schools, none of which have provided an updated position, whereas in 2017/18 all 5 non-progressed recommendations related to processes within the Council.

### 3. Individual Follow Up Audits

3.1 In order to assess the accuracy of the returns from Directors, recommendations within the following audits were followed up:

Department	Audit Report	Issue Date	Recommendations Agreed	Internal Audit Opinion on the Accuracy of Progress Update Reported
Health & Wellbeing	Mental Capacity Act 2005 - Deprivation of Liberty Safeguards (DoLS)	22/12/2017	2 Critical & 12 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018
Health & Wellbeing	Direct Payments Follow Up	09/04/2018	1 Critical & 4 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018
Children's Services	Early Years Funding of Private, Voluntary & Independent (PVI) Settings	28/04/2016	1 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018
Children's Services	Review of Cash Purchasing	06/04/2017	6 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018
Place	Temporary & Permanent Variations to Pay - Sport & Culture	20/10/2017	1 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018

3.2 From the follow up audit work performed to date Internal Audit is of the opinion that the reported progress regarding the implementation of agreed recommendations is accurate.

- 3.3 In respect of the Review of Cash Purchasing, Internal Audit noted that limited progress has been made by Children's Services in reducing its cash payments expenditure. A contributing factor to this is that the Through Care Service has only 6 purchasing cards for 90 staff and requires more cards. Internal Audit understand that the number of purchasing cards has to date been limited to 6, due to the Procure to Pay Team, who perform the requisite timely checks on Through Care's purchase card expenditure before the corporate purchase card bill is paid, having limited capacity to perform these checks. However, it is expected that Through Care will have more purchasing cards in future, thereby reducing its cash expenditure further, as the Procure to Pay Team is planning to increase its capacity to check purchase card expenditure. It should be noted that the processes concerning purchase cards was the one area where Corporate Resources had not progressed the level of implementation during the year.

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