

Minutes of a meeting of the Governance and Audit Committee held on Thursday, 24 November 2022 at 10.30 am in Committee Room 1 - City Hall, Bradford

Commenced 10.30 am
Concluded 11.58 am

Present – Councillors

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Tait Thornton Godwin	Felstead	Griffiths

30. DISCLOSURES OF INTEREST

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

31. MINUTES

Resolved –

That the minutes of the meeting held on 22 September 2022 be signed as a correct record.

32. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

33. INTERNAL AUDIT PLAN 2021/22 - MONITORING REPORT

The Director of Finance and IT submitted **Document “R”** which monitors the progress made by Internal Audit against the Internal Audit Plan for 2021/22.

The Officer presented the monitoring report for the Internal Audit Plan which covered the following point:

- Audit Resources
- Audit Coverage
- Control Environment
- Follow up of Audit Recommendations
- Summary of Audit Reports and Findings
- Annual Assurance Process
- Overall Audit Opinion
- Prioritisation of Internal Audit Coverage in 2022/23
- Internal Audit's Performance Indicators
- Internal Audit Quality Assurance Improvement Plan

It was reported that during the first half of the year, five audit reports were issued relating to fundamental systems, which had an audit opinion of Excellent or Good and five reports relating to significant systems were issued, four of which had audit opinions which ranged from Effective to Partially Effective. A summary of this was provided in the report.

Members raised questions as follows;

Referring to recommendations on page 9 of the report, Members asked if there were any recommendations that still needed to be implemented and if there were any implications.

The Officer reported that in total 125 recommendations from 39 reports were included in the follow up process representing all agreed high priority recommendations included in reports up to 31 March 2022. The follow up process found that 57% of the recommendations had been fully implemented as agreed with a further 37% were partially implemented.

The Chair commented that it was good to see that most recommendations had been implemented.

Referring to Audit Reports and Findings, Members were keen to understand the use of purchase cards.

It was reported by the Officer that key concerns have been identified in the audit for purchasing card cost centres for some staff are incorrect as they had not been updated when staff have moved between residential homes. This has had an impact on the integrity of the spend, lack of procedures or guidance governing what is acceptable spend by residential home staff and approval of purchasing card transactions not being made in a timely manner. Going forward this will be closely monitored and there would be more control on use of cards ensuring good use of them.

Members stressed that this issue needed to be raised with the correct people and there needed to be more traceability with the use of purchase cards.

Members wanted to know what the anticipated target level due to staff being diverted elsewhere and due to loss of resources, the effect it would have should it continue into next year.

The Officer reported that a business case has been submitted for more resources and currently have a trainee focused on re arranging managerial duties. The net impact of the Audit Manager leaving and the delay in filling vacancies is that audit resources in 2022/23 would be less than planned for by approximately 12%. Members were informed that a resource positioning exercise was currently underway, Members were also advised that there would always be some inconsistencies but were in a better position than before.

Members wanted to know how progress would be monitored.

Members were advised that another report would be produced in 6 months and progress could be monitored by comparing findings. It was reported that there were more resources than there were 3 years ago and progress could be monitored.

Resolved -

- (1) That the anticipated coverage and changes of Internal Audit work during the year be endorsed.**
- (2) That Internal Audit be requested to monitor the control environment, risk management and governance arrangements and continues to assess areas of control weakness and the ability of management to deliver improvements to the control environment when required.**

ACTION: Director of Finance and IT

34. TREASURY MANAGEMENT MID YEAR REVIEW REPORT

The Director of Finance and IT submitted **Document “S”** which reported on the Councils Treasury Mid-Year Review.

The mid-year report had been prepared in compliance with CIPFA’s Code of Practice on Treasury Management, and covered the following;

- An economic update for the first six months of the 2022/23 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council’s capital expenditure, as set out in the Capital Strategy, and

prudential indicators.

- A review of the Council's investment portfolio for 2022/23.
- A review of the Council's borrowing strategy for 2022/23.
- A review of compliance with Treasury and Prudential Limits for 2022/23.

It was reported that £15.5m of PWLB (Public Works Loan Board) loans were due to mature in January and February 2023 with an average interest rate of 6.125%. The new borrowing undertaken to date included £20m in April and £10m in October with the average rate of interest of 3.19%.

The Officer reported that the Council had two Lender Option Borrower Option (LOBO) loans, totalling £14.3m that have call date within the next few months. Due to the current volatility and increasing borrowing rates within the market, loans could possibly have the interest rate increased at the call date. The council would then have the option to accept the increased interest rate or repay the loans. Members were informed that the treasury team would monitor the situation and report back to this Committee at a future date on any loans that have been repaid.

It was reported that during the half year ended 30th September 2022, the Council had operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2022/23.

Members were advised that no difficulties had been envisioned for the current or future years in complying with these indicators and that all treasury management operations had been conducted in full compliance with the Council's Treasury Management Practices.

Members raised questions as follows;

Referring to page 27 of the report, a Member sought further clarification on the Council's borrowings.

The Officer reported that things have been tight with borrowing and repayments. There have been no short term investments but there have been short term borrowings. It was further reported that the situation has been difficult with covid grants.

Members queried about the interest rate when the LOBO loan was taken out.

It was reported that the loan was taken out in 2006 at the interest rate of 4.5%. This was discounted for a few years and then at fixed rate, it was a good rate at the point of taking the loan. Members were informed that the loan could either be redeemed or offer the next rate.

Members asked if Councils could lend to each other and if there was any outstanding amount/s owing to any other LA.

It was reported that Bradford Council has invested with other Local Authorities for a number of years however, the rates are not as good as elsewhere.

Members sought further clarification on figures carried forward from previous years.
The Officer did not have figures available.

Resolved -

That the details in Section 2 be noted and the report be referred to the 13 December 2022 Council meeting for adoption.

ACTION: Director of Finance and IT and Director of Legal and Governance

35. STATEMENT OF ACCOUNTS 2021/22 - PROGRESS UPDATE

The Director of Finance and IT submitted **Document “T”** which presented an update on progress on the Council’s 2021-22 draft Statement of Accounts.

It was reported by the presenting officer that due to a national issue concerning the valuation of Infrastructure Assets on Local Authorities balance sheets, a statutory override is being put in place from 25th December 2022. In practical terms this means that the earliest date the 2020/21 accounts can be signed off is January 2023.

It was reported that this issue is effecting all Local Authorities who had major infrastructure assets, such as highways and bridges.

Members sought clarification on overall deficit.

The Officer referred to page 43 of the update report providing further details.

Resolved –

That the financial position of the Council’s 2021-22 Statement of Accounts be noted.

ACTION: Director of Finance and IT

36. AUDIT COMPLETION REPORT 2021/22 - AUDIT OF CBMDC - PROGRESS UPDATE

The External Auditor presented **Document “U”** which summarised the findings from the audit of the City of Bradford Metropolitan District Council.

The report provided the Governance and Audit Committee with an update on progress in delivering the responsibilities of the external auditors. It also included a summary of recent national reports and publications for information.

The External Auditor reported that the one remaining responsibility in respect of the 2020/21 financial year was the review of the Councils whole of government

accounts (WGA) return. The National Audit Office (NAO) was in the process of finalising group instructions, which determined the testing that was required to undertake the Councils WGA return.

The External Auditor reported that they have not yet been informed which clients would be sample components, therefore this piece of work had not yet been completed however, once the NAO provided this information officers would be contacted to complete the required testing.

It was reported, following completion of the WGA work and resolution of the infrastructure assets issue, the Audit Certificate would be issued formally to close the 2020/21 audit. Currently awaiting the sign off of Statement of Accounts, which would then be passed to Mazars to finalise the audit.

Members were concerned that the Council would be left with checking records with regards to infrastructure assets.

The Officer reported that it was in everyone's best interest to have a 100% technically correct solution to this issue however, at the moment there was no solution.

Members sought further clarification on the assets, this was provided in the update report.

Resolved –

That the update detailed in Document “U” be noted.

37. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) BOARD

The Director of West Yorkshire Pension Fund submitted **Document “V”** which reported on the minutes of the WYPF Pension Board meeting held on 28 June 2022.

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

In accordance with this requirement, the Director of West Yorkshire Pension Fund submitted “Document **“V”**” which reported on the minutes of the meeting of the WYPF Pension Board meeting held on 28 June 2022.

Members requested an update on the uptake of training packages.

The Officer reported that some Members were now well educated but some will be pushed to take part in training in December, in a better position now than have been before.

Resolved –

That the minutes of the West Yorkshire Pension Fund Pension Board meeting held on 28 June 2022 be considered and noted.

ACTION: Director of West Yorkshire Pension Fund

38. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP

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 submitted "**Document "W"**" which reported on the minutes of the meeting of the WYPF Joint Advisory Group held on 28 July 2022.

Resolved –

That the minutes of the West Yorkshire Pension Fund Joint Advisory Group held on 28 July 2022 be considered and noted.

ACTION: Director of West Yorkshire Pension Fund

39. EXCLUSION OF THE PUBLIC

40. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL

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 submitted **Not for Publication Document "X"** which reported on the minutes of the meeting of the WYPF Investment Advisory Panel held on 28 July 2022.

Resolved –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 28 July 2022 be considered and noted.

ACTION: Director of West Yorkshire Pension Fund

Note: These minutes are subject to approval as a correct record at the next meeting of the Governance and Audit Committee.

THIS AGENDA AND ACCOMPANYING DOCUMENTS HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER