

Minutes of a meeting of the Governance and Audit Committee held on Thursday, 23 November 2023 at 10.30 am in Committee Room 1 - City Hall, Bradford

Commenced 10.30 am
Concluded 12.20 pm

Present – Councillors

LABOUR	CONSERVATIVE	GREEN
Tait Thornton Godwin	Felstead	Love

Councillor Tait in the Chair

Apologies: Cllr C Hickson

97. DISCLOSURES OF INTEREST

No disclosures of interest in matters under consideration were received.

98. MINUTES

Resolved –

That the minutes of the meeting held on 21 September 2023 be signed as a correct record.

99. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

100. EXTERNAL AUDIT PROGRESS REPORT 2022/23 - CBMDC

The External Auditor presented **Document “V”** which set out the progress for the external audit of the City of Bradford Metropolitan District Council for the Financial Year 2022-23.

The External Auditor reported that the Council had made a decision to apply its change in its Minimum Revenue Provision (MRP) policy retrospectively to 2021/22 and reduce its MRP charged to the General Fund in 2021/22 by £24.193m. The Council obtained Kings Counsel (KC) advice on the lawfulness of this decision. Mazars have obtained their own KC advice and were considering the audit response to the Council’s decision. Mazars were unable to complete the

2021/22 financial statements audit and provide their signed audit report until this matter was resolved. The External Auditors would discuss with Council officers and would report progress to subsequent Governance and Audit Committee meetings.

The External Auditor reported that Mazars had commenced their audit fieldwork on the 2022/23 financial statements at the start of November. They were aiming to complete their audit work in relation to the 2022/23 audit by the end of March 2024. The timetable included more flexibility, they were conscious that this period was when the Council would be producing and finalising its 2024/25 budget, and the finance team's time available to support the audit may be more limited.

A member of the Committee was keen to understand the need to consult two Kings Counsel's regarding Minimum Revenue Provision (MPR) which provided two different outcomes, and asked if a third opinion would be required, as this would mean added costs to the public purse.

In response to this, the External Auditor reported that Mazars had sought its own KC as part of its consideration of the Council's compliance with laws and regulations. Mazars had to seek its own legal advice as part of its external audit. The External Auditor confirmed that they were very conscious of the costs of the public purse and would always try and minimise the impact of the audit on the Council's expenditure. The External Auditor confirmed they were determining the impact of their KC advice, which was on certain key points contrary to the Council's KC. The External Auditor confirmed that it was unlikely that a third KC opinion would be required.

The Director of Finance and IT was concerned that there was no clarity at the moment regarding the timeline for the completion of the external audit 2021/22. The Director of Finance and IT stressed that this was a very urgent situation that went beyond setting future budgets and highlighted that one of the comments from the KC was the application of the guidelines which was such that the Council may have departed from that without due cause, the Council's KC had said that the Council did have good cause and had approved the rationale for having due cause.

In response to this, the External Auditor was clear of the need for a prompt resolution and recognised the urgency of the matter, however they did not have a date for the completion of the external audit 2021/22 due to the complexity of the matter.

The Chair of the Committee was concerned of the negative impact the delay of signing off completion for audit 2021/22 would have on West Yorkshire Pension Funds and other council services.

A member of the Committee asked whether there was a precedent for backdating MRP to previous years. The Director of Finance and IT responded that there was.

A member of the Committee asked why we were not on the same timeline with the external audit as previous years, what was causing the delay and if we were aiming for the same completion dates as previous years.

In response to this, the External Auditor reported that for the 2022/23 audit, the

government set a timetable for councils to produce draft accounts by the end of May but the Council did not produce draft accounts until the autumn. The external audit was planned to start in the early autumn but the Auditor and the Council agreed to move the timetable back in order to deliver the audit in one go rather than keep pausing it. There was a clear plan to deliver the work for 2022/23 by the timeline produced which would then enable the external auditors to be in a better position to catch up and deliver the audit by the deadline the government had set.

Resolved –

That the report (Document “V”) be noted.

101. INTERNAL AUDIT PLAN 2023/24 - MONITORING REPORT

The Director of Finance and IT submitted **Document “W”** which monitored the progress made by Internal Audit against the Internal Audit Plan for 2023/24 as at 30 September 2023.

The purpose of the report was to bring to the attention of members of the Governance and Audit Committee any significant issues arising from the audit work undertaken to date and to inform them about the progress made up to 30 September 2023, against the Internal Audit Plan, which was approved by the Committee on 15 June 2023.

The Head of Internal Audit was present and at the request of the Chair, gave a synopsis of the report. It was reported that as at 30 September 2023, 45% of the 2023/24 audit plan had been completed, which was the same as the 2022/23 position, where 45% of the 2022/23 audit plan was completed as at 30 September 2022.

It was reported that from the work currently completed, Internal Audit had no evidence to indicate that the Council’s internal control framework, risk management and governance processes was not effective. The Head of Internal Audit expected to be in a position to give an Internal Audit Opinion by the end of the financial year dependent on future events and planned activity. However, this required the current level of resources identified and service departments to facilitate the audit process. However, it must be noted that the Council’s Annual Governance Statement 2022/23, raised two specific issues in relation to the Childrens Trust and the Capital of Culture 2025. At the present time Bradford Council’s Internal Audit Service had no agreed access to these organisations with both carrying a significant inherent financial risk for the Council.

Members asked what auditing process was in place for Children’s Services, Children’s Trust, and Capital of Culture, given the critical financial position of the Council. In response, it was reported that there had been some concerns with the lack of internal audit coverage around the financial controls around the Children’s Trust, but the Trust was now out to tender for an external party to provide internal audit services to them at some cost. This matter was being debated with the Trust as this service could be provided to them internally. It was reported that the Trust was now in month 8/9 and there was still no report providing any detail on audit

coverage.

Members sought clarification on the tables on key governance issues on page 33 of the report (Document “W”).

Members of the Committee sought further clarification on the Children’s Trust’s audit position for the current financial year. Members of the Committee also suggested that having checks in place to ensure that recommendations were being implemented within the Trust would be helpful.

In response to this, it was reported that there was a strong contract in place between the Council and the Children’s Trust. If the Council was not satisfied with the performance or with the data provided, there were constructive and effective mechanisms in place to manage the Trust without micromanaging them. It was reported that Officers from the Children’s Trust would be presenting a report to this committee in January 2024.

Resolved –

- (1) That the anticipated coverage and changes of Internal Audit work during the year as outlined in Document “W” be endorsed.**
- (2) That the 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.**
- (3) That the City of Culture present a report at a future meeting of the Governance and Audit Committee, in municipal year 2023/24, outlining its governance and audit structure detailing the financial elements.**
- (4) That a follow up on the review of Built Environment (Significant Systems) be included in the next Annual Governance Report.**

To be actioned by: Director of Finance and IT

102. TREASURY MANAGEMENT MID YEAR REPORT UP TO 30 SEPTEMBER 2023

The Director of Finance and IT submitted **Document “X”** which reported on the Councils Treasury Management 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 2023-24 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 2023-24.
- A review of the Council's borrowing strategy for 2023-24.
- A review of compliance with Treasury and Prudential Limits for 2023-24.

The Investment Officer was in attendance and at the request of the Chair, introduced the report to the committee and briefly highlighted the above points.

Resolved –

That the details in Sections 2 and 3 of Document “X” be noted and the report be referred to the 12 December 2023 Council meeting for adoption.

To be actioned by: Director of Legal and Governance

103. MINUTES OF WEST YORKSHIRE PENSION FUND LOCAL PENSION BOARD MEETING HELD ON 13 SEPTEMBER 2023

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 Local Government Pension Scheme.

The Director of West Yorkshire Pension Fund submitted **Document “Y”** which reported on the minutes of the WYPF Pension Board meeting held on 13 September 2023.

The Chair of the committee suggested that Governance and Audit committee would benefit from a generic training around West Yorkshire Pension Fund to gain a better understanding of matters.

Members of the Committee were keen to understand the impact of Employer Exit Strategy. In response to this, it was reported that due to the high interest rates this has presented employers with issues. The Council changed its methodology just before the big change in the interest rate took place, reason being, the Council thought it was being too prudent towards the employers and the hurdle was too high. The Council had modified the methodology slightly which was out for consultation with the employers to try and align it with LGPS and the private sector.

Resolved –

That the minutes of the West Yorkshire Pension Fund Pension Board meeting held on 13 September 2023 be considered and noted.

104. WEST YORKSHIRE PENSION FUND (WYPF) AUDIT COMPLETION REPORT 2021/22 FOLLOW UP LETTER

The External Auditor presented **Document “Z”** which reported on the Audit Follow up letter. The report outlined further audit work and progress made in concluding the 2021/22 audit.

It was reported that the follow up letter briefly outlined the audit area that was still outstanding and an update on the conclusions in relations to those audit areas. As stated in the report, majority of the audit works had been completed with no impacts at all and no changes, there were two items that were open and had resulted in an amendment to the accounts. The first item, which was in relation to level 3 investments, in the audit completion report that was issued, it included a table of unadjusted and adjusted misstatements, and this was based on management changing some investment values that they had identified themselves in addition to the ones that the external auditors had identified in their audit process. However, subsequently management decided not to change those investments they had identified so now there was split between the adjusted and unadjusted misstatement changes.

The officer reported that the appendix with the letter in the report provided details of what to expect in the audit completion report and what the current position was. The values had not changed but there was a split between how much was actually adjusted through the accounts and how much wasn't adjusted through the accounts. In addition to that, in relation to the accounts, because the accounts were still open, note 2 and 12 of the Pension Funds Financial Statements were updated to reflect the outcome of 31 March 2022 evaluation, these two notes were just disclosures notes and just a statement from the actuary, and that statement remained constant over the 3 years period but because the 2022 valuation had been released by Pension Funds has gone back and updated that disclosure to match the valuation outcome.

It was reported that an error was identified in the report, note 15 in relation to investment income, there was an incomplete sentence, which should have read, there had been a change in the classification of the income against classic types and there had been no change in the income overall.

It was further reported that for one Councillor that had been a member of the Joint Advisory Group, the external auditors were unable to see a copy of their declaration of interest form, the Councillor was not a Bradford Councillor and had lost his seat in the May 2022 elections. The external auditors were also unable to obtain up to date declaration forms for two Councillors that were members of the Governance and Audit Committee. Therefore, there was a recommendation as a result of this, that Pension Funds obtain declaration forms for all active members who were sitting on the Joint Advisory Group.

Resolved –

That the contents of the Audit Follow up letter as detailed in Document “Z” be noted.

105. WEST YORKSHIRE PENSION FUND - AUDIT COMPLETION REPORT 2022/23

The External Auditor submitted **Document “AA”** which reported on the findings from their work on the West Yorkshire Pension Fund's Financial Statements.

At the invitation of the Chair, the Audit Manager was once again asked to

introduce the report to the committee.

It was reported that there were no significant updates to draw attention to and a few points from the report were highlighted.

Members of the committee were keen to understand to what extent external auditors would investigate an error in a sample as there were no recommendations mentioned in the report. In response to this, it was noted that auditors would continue to investigate until they were satisfied or ask Pension Funds to carry out further testing if the impact of it was going to be material, concept of materiality was key to this.

Resolved –

That the report (Document “AA”) be noted.

106. EXCLUSION OF THE PUBLIC

107. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 26 OCTOBER 2023.

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

In accordance with this requirement, the Director of West Yorkshire Pension Fund submitted **Not for Publication “Document AB”** which reported on the minutes of the meeting of the WYPF Investment Advisory Panel held on 26 October 2023.

Resolved –

That the recommendation contained in Not For Publication Document “AB” be approved.

Chair

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