



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

Members of the Committee – Councillors

LABOUR	CONSERVATIVE	GREEN
Tait Thornton Godwin	Felstead	Hickson

Alternates:

LABOUR	CONSERVATIVE	GREEN
Alipoor K Hussain H Khan	Pollard	Love

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:

Asif Ibrahim
Director of Legal and Governance
Agenda Contact: Kav Amrez
Phone: 07929 070288
E-Mail: kanwal.amrez2@bradford.gov.uk

A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The Director of Legal and Governance 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 must consider their interests, and act according to the following:*

Type of Interest	You must:
<i>Disclosable Pecuniary Interests</i>	<i>Disclose the interest; not participate in the discussion or vote; and leave the meeting <u>unless</u> you have a dispensation.</i>
<i>Other Registrable Interests (Directly Related)</i> OR <i>Non-Registrable Interests (Directly Related)</i>	<i>Disclose the interest; speak on the item <u>only if</u> the public are also allowed speak but otherwise not participate in the discussion or vote; and leave the meeting <u>unless</u> you have a dispensation</i>
<i>Other Registrable Interests (Affects)</i> OR <i>Non-Registrable Interests (Affects)</i>	<i>Disclose the interest; remain in the meeting, participate and vote <u>unless</u> the matter affects the financial interest or well-being</i>

(a) to a greater extent than it affects the financial interests of a majority of inhabitants of the affected ward, and

(b) a reasonable member of the public

knowing all the facts would believe that it would affect your view of the wider public interest; in which case speak on the item only if the public are also allowed to speak but otherwise not to participate in the discussion or vote; and leave the meeting unless you have a dispensation.

- (2) *Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.*
- (3) *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.*
- (4) *Officers must disclose interests in accordance with Council Standing Order 44.*

3. MINUTES

Recommended –

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

(Kav Amrez – 07929 070288)

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.

(Kav Amrez – 07929 070288)

B. BUSINESS ITEMS

5. **EXTERNAL AUDIT PROGRESS REPORT 2022/23 - CBMDC** 1 - 24

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

Recommended-

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

(Abi Medic – 07881283644)

6. **INTERNAL AUDIT PLAN 2023/24 - MONITORING REPORT** 25 - 46

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

The purpose of the report is 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.

Recommended –

(1) That the anticipated coverage and changes of Internal Audit work during the year as outlined in Document “W” 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.

(Mark St Romaine – 01274 432888)

7. **TREASURY MANAGEMENT MID YEAR REPORT UP TO 30 SEPTEMBER 2023** 47 - 66

The Director of Finance and IT will submit **Document “X”** which reports on the Councils Treasury Management Mid-Year Review.

The mid-year report has been prepared in compliance with CIPFA’s Code of Practice on Treasury Management, and covers 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.

Recommended -

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.

(Colin Standish - (01274) 43 2361)

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

67 - 82

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 will submit **Document "Y"** which reports on the minutes of the WYPF Pension Board meeting held on 13 September 2023.

Recommended -

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

(Yunus Gajra – 07582105760)

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

83 - 94

The External Auditor will present **Document "Z"** which reports on the Audit Follow up letter. The report outlines further audit work and progress made in concluding the 2021/22 audit.

Recommended –

That the contents of the Audit Follow up letter as detailed in

Document “Z” be noted.

(Abi Medic - 07881 283644)

10. WEST YORKSHIRE PENSION FUND - AUDIT COMPLETION REPORT 2022/23 95 - 130

The External Auditor will submit **Document “AA”** which reports on the findings from their work on the West Yorkshire Pension Fund’s Financial Statements.

Recommended –

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

(Abi Medic - 07881 283644)

11. EXCLUSION OF THE PUBLIC

Recommended –

That the public be excluded from the meeting during the consideration of the item relating to the minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 26 October 2023, 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.

12. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 26 OCTOBER 2023. 131 - 132

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 will submit **Not for Publication “Document AB”** which reports on the minutes of the meeting of the WYPF Investment Advisory Panel held on 26 October 2023.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 26 October 2023 be considered.

(Euan Miller – 01274 434517)

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

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Report of the Director of Finance to the meeting of Governance & Audit to be held on 23 October 2023

V

Subject: 2022-23 External Audit Progress CBMDC

Summary statement:

This report sets out the progress for the external audit of the City of Bradford Metropolitan District Council for financial year 2022-23

EQUALITY & DIVERSITY:

Equality assessments and Equality objectives – There are no equality and diversity implications directly arising from this report.

Alastair Newall
Director – Public & Social Sector
Mazars LLP

Portfolio:
Corporate Services

Report Contact: Abi Medic
Audit Manager
Phone: 07881 283644
Email: abi.medic@mazars.co.uk

Overview & Scrutiny Area:
Corporate Services

1. SUMMARY

The Audit Progress Report (Appendix 1) sets out our audit progress for 2022-23. The document outlines:

- Audit Progress
- Fiscal pressure & inflation challenges for the public & social sector – our 2023/24 survey
- National publications

2. BACKGROUND

Not Applicable

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

Not Applicable

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

Not applicable

6. LEGAL APPRAISAL

There are no specific legal issues arising from this report.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

There are no specific sustainability implications arising from this report.

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

This section seeks to address how the proposal tackles the Climate Emergency and reduces carbon emissions.

7.3 COMMUNITY SAFETY IMPLICATIONS

There are no specific community safety implications arising from this report.

7.4 HUMAN RIGHTS ACT

There are no specific issues arising from this report.

7.5 TRADE UNION

Not applicable

7.6 WARD IMPLICATIONS

There are no specific issues arising from this report.

7.7 AREA COMMITTEE LOCALITY PLAN IMPLICATIONS

Not applicable

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

Not applicable

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

Not applicable

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

Members of the Committee note the report and approve.

11. APPENDICES

Appendix A: CBMDC - Audit Progress Report November 2023

12. BACKGROUND DOCUMENTS

None

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Audit Progress Report

City of Bradford Metropolitan District Council

November 2023

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- 2. Fiscal pressure & inflation challenges for the public & social sector – our 2023/24 survey
- 3. National publications

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01

Section 01: **Audit progress**

1. Audit progress

Purpose of this report

This report provides the November 2023 Governance and Audit Committee meeting with an update on progress in delivering our responsibilities as your external auditors. It updates members on the national delays in completing the 2020/21 and 2021/22 audits and how they impact the Council and the timing of the 2022/23 audit. It also includes, at Section 2, a summary of the outcomes from a survey relating to the fiscal pressures and inflation challenges for the public and social sector and at Section 3, a summary of recent national reports and publications for your information.

2020/21 Audit

The audit certificate for the 2020/21 audit has not yet been issued. This will follow in due course.

2021/22 Audit

Financial Statements audit.

There are two matters remaining outstanding relating to the 2021/22 audit:

The Council received a revised IAS 19 valuation report following completion of the triennial valuation of the pension fund. Our work in respect of this revised report is now substantially complete, however this is subject to review.

The Council has 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 KC advice on the lawfulness of this decision. We have obtained our own KC advice, and we are considering the audit response to the Council's decision. We are unable to complete the 2021/22 financial statements audit and provide our signed audit report until this matter is resolved. We continue to discuss with Council officers and will report progress to subsequent Governance and Audit Committee meetings.

Value for money arrangements

Our work in respect of the Council's arrangement for securing economy, effectiveness and efficiency in its use of resources remains in progress. We will provide our commentary including any identified significant weaknesses in arrangements in our Auditor's Annual Report.

Whole of government accounts

When we have issued the 2021/22 audit opinion, we will also be able to report to NAO on the WGA. The Council is below the NAO's £2bn threshold for detailed audit work. However, the NAO's group audit instructions confirm that the NAO may select Council's below the threshold for detailed audit work. We will be unable to issue our 2021/22 certificate until the NAO confirms whether they require further audit work on the Council's WGA submission.

1. Audit progress (continued)

2022/23 Audit

Our Audit Strategy Memorandum for the 2022/23 audit was presented to the Governance and Audit Committee in September 2023. We have now substantially completed our planning work in respect of the 2022/23 audit. This has not resulted in any changes being necessary to our planned audit approach set out in our Audit Strategy Memorandum

Due to delays in finalising the financial statements and working papers for audit, we have updated our timeline to complete the audit. The updated timeline is shown on the following page.

We commenced our audit fieldwork on the 2022/23 financial statements at the start of November. We are aiming to complete our audit work in relation to the 2022/23 audit by the end of March 2024. The timetable includes more flexibility, conscious that this period is when the Council will be producing and finalising its 2024/25 budget, and the finance team's time available to support the audit may be more limited.

Public Sector Audit Appointments (PSAA) reported that nationally just one per cent of local authority accounts were audited by 30 September 2023 and the Government, the NAO, audit suppliers and regulators are working together to find a way to clear the backlog before 2023/24, which is the first year of a new external audit contract let by PSAA. We will update the Governance and Audit Committee as soon as a way forward is agreed.

1. Audit progress (continued)

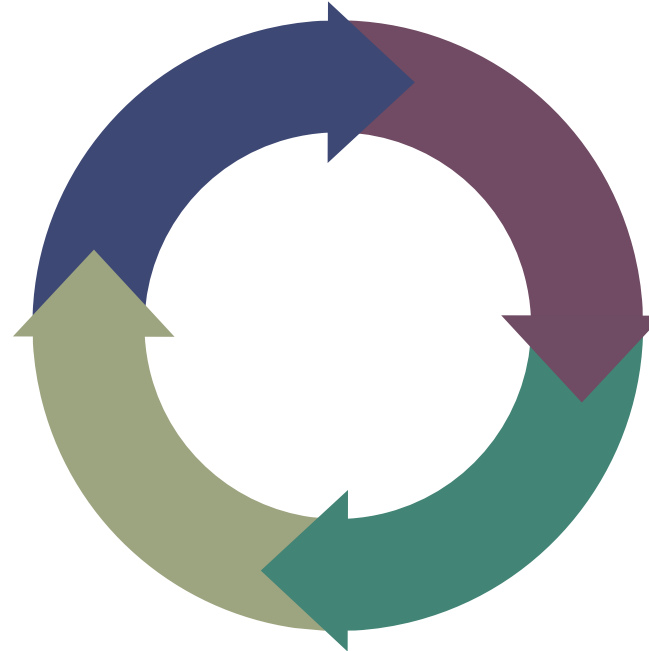
This is an indicative timetable for the audit for the year ended 31 March 2023.

Planning and Risk Assessment (August – September 2023)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion (February to March 2024)

- Final review and disclosure checklist of financial statements
- Final Engagement Lead review
- Agreeing content of letter of representation
- Reporting to the Audit and Governance Committee
- Reviewing subsequent events
- Signing the independent auditor's report



Interim (September to October 2023)

- Documenting systems and controls
- Performing walkthroughs
- Updating our understanding of the IT environment
- Reassessment of audit plan and revision if necessary

Fieldwork (November 2023 to February 2024)

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

02

Section 02:

Fiscal pressure & inflation challenges for the public & social sector – our 2023/24 survey

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK’s most vulnerable communities are at risk of becoming more marginalised and desperate. In response, we sought to understand how the public sector plans to support vulnerable people, communities, and service users in 2023/24.

Fiscal pressure & inflation challenges for the public & social sector – our 23/24 survey

Key Findings at a Glance

1. Supporting vulnerable communities is a public and social sector imperative: The public sector is taking proactive steps to strengthen support and service delivery to deprived communities, but could more be done to safeguard vulnerable citizens?

To support people, communities, and service users, 61% said they are seeking new funding/income streams to maintain services; and 54% said they are reassessing the breadth and depth of services. In particular, respondents highlighted the creation of hardship funds, diversion of critical services, and streamlining of internal processes.

81% said lack of funding; 67% said lack of staffing resources; and 46% said focus on short term not long term all pose the greatest barrier to supporting vulnerable people and communities.

2. Innovation and collaboration are key enablers in the fight against financial constraints: As the public sector moves to meet rising demand with renewed vigour, what role will innovation and collaboration play in the fight against poverty?

The majority of public sector organisations are looking externally for support and solutions, with 90% agreeing that external collaboration could strengthen their response to deep-running fiscal challenges and 87% of respondents positive that engaging with third parties could improve efficiency and productivity organisation wide. There were similar reflections about the importance of leveraging internal networks, with 83% of respondents agreeing that staff collaboration across their organisation was key, e.g. cross-departmental, would improve efficiency and productivity. Organisations are therefore advocating a unified approach, which values the existing workforce's skills and insight, and supplements this with external perspectives to diversify thinking and continually improve.

Both innovation and technology were identified as potential opportunities for improved service delivery. Respondents highlighted the need for digital transformation strategies, sharing good practice, and using artificial intelligence to identify the people and communities most at risk. Efficient and digitised services have the potential to free up resources and there was a particular spotlight on self-help tools for their dual function in creating capacity and empowering citizens.

3. The Public and social sector must redefine its place in an evolving economic landscape: Many service providers are still thinking short-term. How can we ensure public services are future fit, and what will the biggest priorities be over the next 12-24 months?

Organisations referred to targeting priorities across both key inputs (31% securing funding; 41% continuous employee wellbeing and development) and outputs (54% improving citizen/service user experience; 45% supporting local communities to cope with rising living costs).

Public sector organisations remain alert to issues on the external horizon that could impact success, with uncertainty both in relation to energy costs and inflation (90%) and the current UK political landscape (79%) being a key concern for most respondents. Instability in the workforce completed the top three concerns, with 77% of organisations responding that higher level skills shortages were having a high (43%) or medium (34%) impact.

These themes are consistent with previous findings – employees need to be nurtured, new funding streams secured, and significant efficiency gains made. Upstream investment in people and relationships should intrinsically support the achievement of outputs and outcomes, maximising medium to long term impact. However, our survey suggests the sector needs an injection of confidence that there will be the financial and political security to deliver this success.

Our full report of our survey and responses can be downloaded for free from our website. <https://www.mazars.com/Home/Insights/Latest-insights/Public-and-social-sector-study-2023>

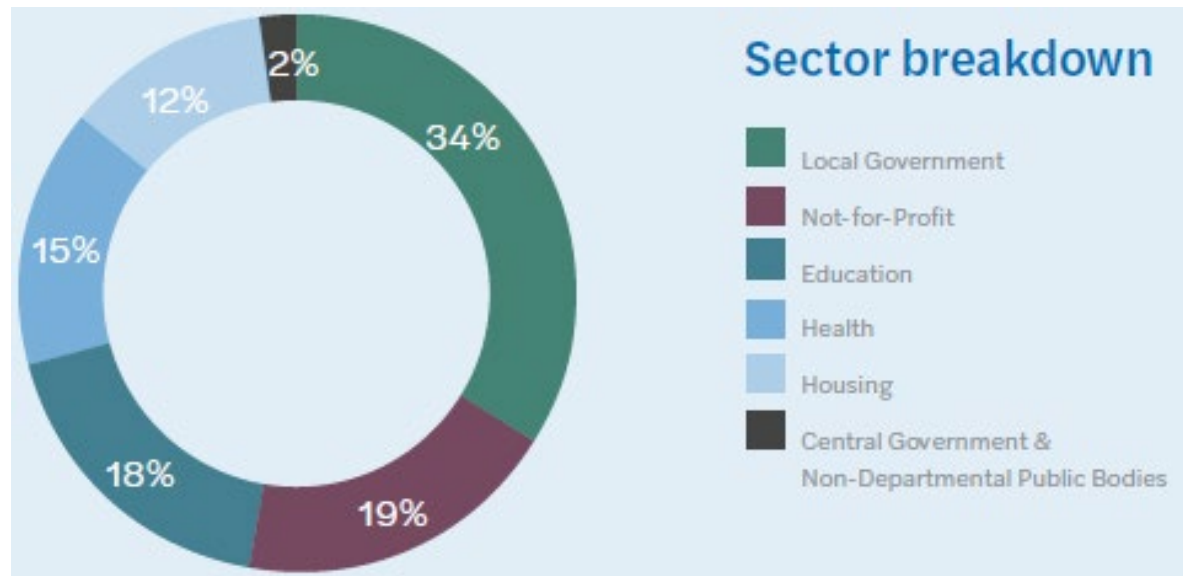
Key findings at a glance

Survey methodology and breakdown

A survey to measure fiscal pressure and inflation challenges for the public & social sector was conducted by Surveys in Public Sector in partnership with Mazars. The consultation period ran from Tuesday 7th February 2023 to Monday 6th March 2023. A total of 332 individuals from 312 unique organisations participated in the survey, representing a broad cross-section of job functions across the UK public sector.

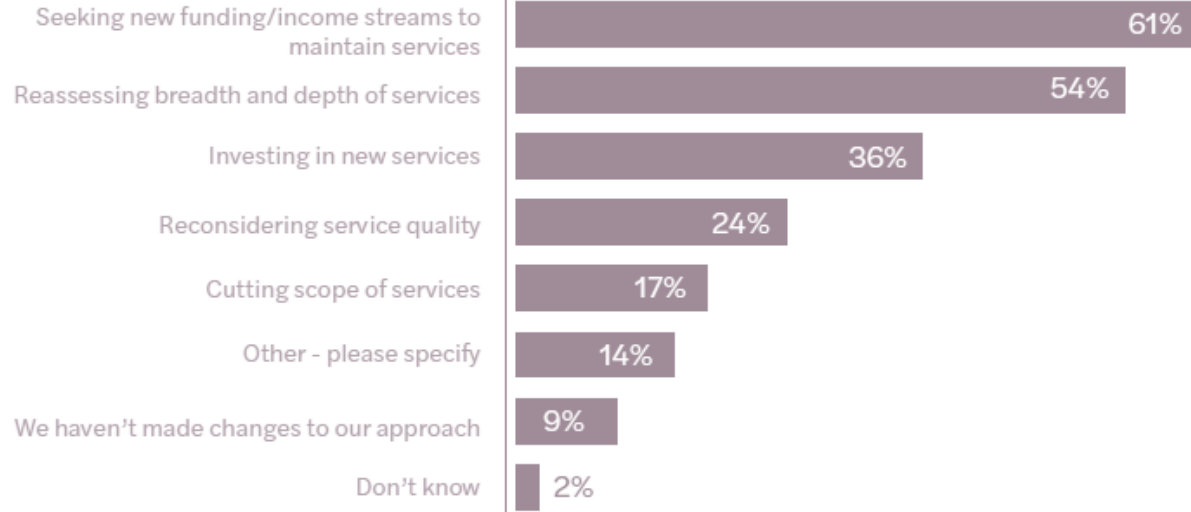
All survey participants have received a complimentary copy of the key findings report. There was no inducement to take part in our research project, and Mazars was not introduced as the survey partner.

The results discussed throughout our report are based on those who fully completed the questionnaire and are displayed as a percentage of this group, unless explicitly stated otherwise.



Key findings at a glance

How is your organisation currently changing its approach to supporting people, communities, and service users?



Supporting vulnerable communities is a public & social sector imperative

How is your organisation currently changing its approach to supporting people, communities, and service users?

- 61% said they are seeking new funding/income streams to maintain services
- 54% said they are reassessing the breadth and depth of services
- 36% said they were investing in new services to meet increasing demand
- 17% said they were cutting the scope of services

The comments section was used to expand on these points, highlighting the creation of hardship funds, diversion of critical services, and streamlining of internal processes.

In your opinion, which of the following poses the greatest barrier to your organisation's ability to support vulnerable people/communities?

- 81% said lack of funding
- 67% said lack of staffing resources
- 46% said focus on short term not long term

Key findings at a glance

In your opinion, which of the following poses the greatest barrier to your organisation's ability to support vulnerable people/communities?



Innovation and collaboration are key enablers in the fight against financial constraints:

How much do you agree that the following ways of working together/collaboration could help address the fiscal and inflationary challenges your organisation faces?

- Increasing opportunities for easy collaboration locally, regionally, and nationally:

90% agreed that external collaboration could strengthen their response to deep-running fiscal challenges.

- Working with partners to identify innovative solutions to improve efficiency and productivity:

87% of respondents felt that engaging with third parties could improve efficiency and productivity organisation wide.

- Improved/increased staff collaboration across the organisation:

83% of respondents agreed that staff collaboration across their organisation was key, e.g. cross-departmental, would improve efficiency and productivity.

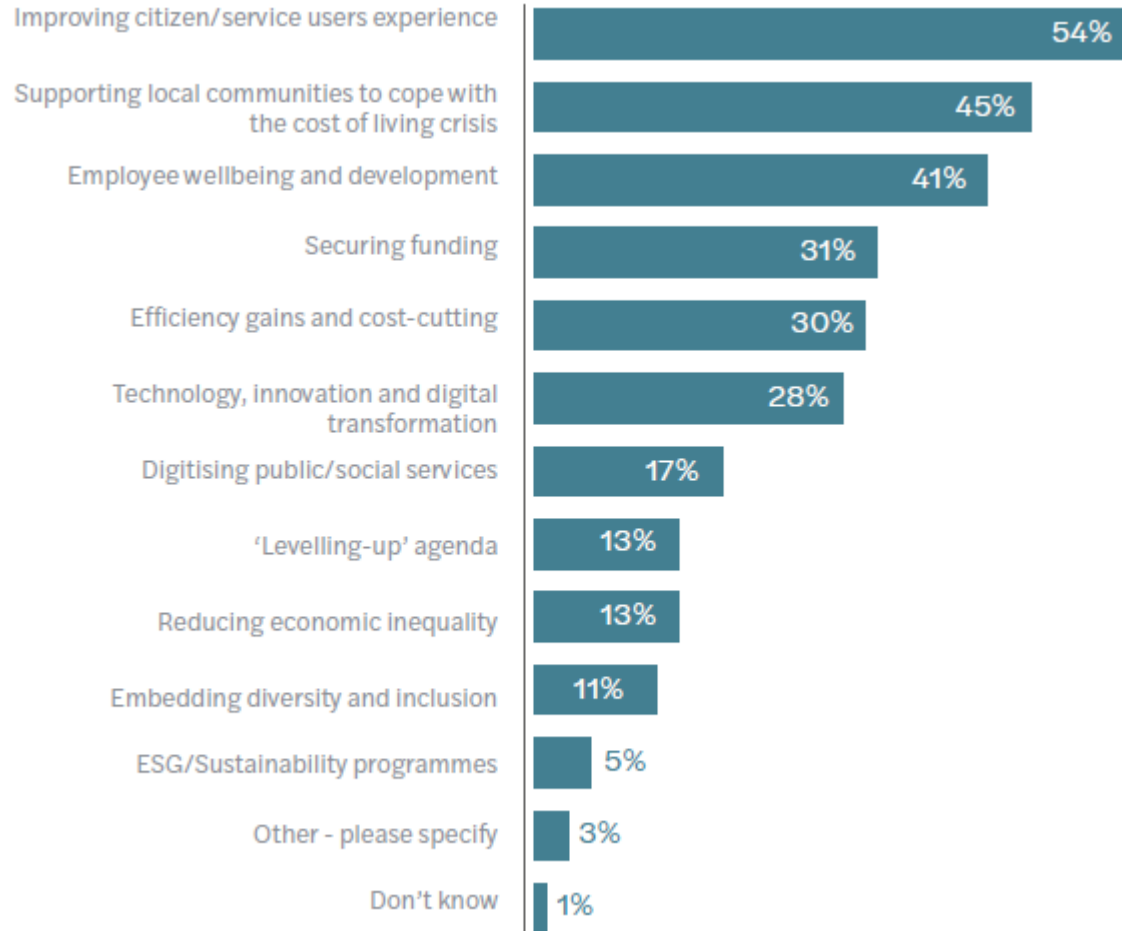
Innovation and technology were identified as potential opportunities for improved service delivery – respondents highlighted the need for ‘*digital transformation strategies*’, sharing good practice, and using artificial intelligence to identify the people and communities most at risk.

Self-help tools were highlighted to free up internal resources and empower citizens – e.g. raising awareness of services to reduce demand through inappropriate referrals.

Efficient and digitised services were identified as having the potential to free up resources.

Key findings at a glance

Which of the following areas do you believe will be key priorities of your organisation in the next 12-24 months?



Key Findings at a glance

The public and social sector must redefine its place in an evolving economic landscape (long term):

Key priorities for the next 12-24 months

- 54% of respondents saw ‘improving citizen/service user experience’ as a high priority
- 45% saw supporting local communities to cope with rising living costs as a key priority
- 41% agreed with the importance of continuous employee wellbeing and development
- 31% identified securing funding

These themes are consistent with previous findings – employees need to be nurtured, new funding streams secured, and significant efficiency gains made.

To what extent are the following global and national factors impacting your organisation’s decision making?

- 90% of respondents said national economic uncertainty due to energy costs and inflation had a high (64%) or medium (26%) impact
- 77% responded that higher level skills shortages were having a high (43%) or medium (34%) impact
- 79 % of respondents said the current UK political landscape had a high (42%) or medium (37%) impact

03

Section 03: **National publications**

National publications

This section highlights recent national publications that may be of interest to Members of the Committee. If you require any additional information, please contact any member of your engagement team.

We have, in the tables that follow, provided a brief insight into the purpose/key points of the publications with indicative relevance and/or suggested action using the following RAG ratings:

- Action required
- Action suggested
- For information only.

	Publication/update	Key points	Action
National Audit Office (NAO)			
1.	Condition of school buildings	Report which examines whether the Department for Education (DfE) is achieving its objective to ensure the school estate in England contains the safe and well-maintained school buildings that it regards as essential for a high-quality education.	●
2.	Financial management in government: strategic planning and budgeting	This guide is for senior finance leaders in government departments and other public bodies. It sets out the first stage in the financial management lifecycle: strategic planning and budgeting.	●

NATIONAL PUBLICATIONS

National Audit Office

1. Condition of school buildings – June 2023

The NAO has published its report Condition of school buildings which examines whether the Department for Education (DfE) is achieving its objective to ensure the school estate in England contains the safe and well-maintained school buildings that it regards as essential for a high-quality education. The evaluative criteria for assessing value for money include whether DfE has:

- a good understanding of the condition of school buildings
- appropriate arrangements to allocate funding for school buildings in line with need
- effective ways to support the sector.

The report covers:

- the school system and DfE's overarching school building maintenance approach (Part One)
- DfE's understanding of the condition of school buildings (Part Two)
- how DfE matches funding to need (Part Three).

Conclusions:

DfE is accountable for providing those bodies responsible for school buildings with the funding and support to enable them to meet their responsibility to ensure school buildings are safe and well maintained.

Following years of underinvestment, the estate's overall condition is declining and around 700,000 pupils are learning in a school that the responsible body or DfE believes needs major rebuilding or refurbishment.

Most seriously, DfE recognises significant safety concerns across the estate, and has escalated these concerns to the government risk register.

<https://www.nao.org.uk/reports/condition-of-school-buildings/>

Since NAO published their report, safety concerns about the use of re-enforced autoclaved aerated concrete (RAAC) in public buildings, especially schools, has prompted extensive school closures and expenditure on surveys and remedial work. Although we understand that the impact on the Council's schools has been limited, the issue illustrates the impact of underinvestment in maintaining school buildings highlighted in the NAO report.

NATIONAL PUBLICATIONS

National Audit Office

2. Financial management in government: strategic planning and budgeting – September 2023

The guide outlines how finance leaders can plan strategically and realistically to:

- Align strategy and planning;
- Make planning inclusive;
- Plan dynamically;
- Address optimism bias; and
- Deal with risk and uncertainty.

The insights have been drawn from NAO reports, the experiences of NAO audit teams, and the thoughts of a range of senior finance decision-makers.

[Financial management in government: strategic planning and budgeting - NAO insight](#)

This guide is part of a series supporting financial management in the public sector. NAO also published the following guide in July 2023:

- [Enablers to success](#)

Contact

Mazars

Alastair Newall – Director, Public and Social Sector

Email: Alastair.newall@mazars.co.uk

Manager: Abi Medic

Email: abi.medic@mazars.co.uk

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Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 23 November 2023.

W

Subject:

INTERNAL AUDIT PLAN 2023/24 – MONITORING REPORT AS AT 30 SEPTEMBER 2023

Summary statement:

This report monitors the progress made by Internal Audit against the Internal Audit Plan for 2023/24 as at 30 September 2023.

EQUALITY & DIVERSITY:

An effective Internal Audit Service provides assurance that the appropriate governance and accountability arrangements are in place which allows Service Objectives to be delivered in accordance with the Council's equality policies

Christopher Kinsella
Director of Finance and IT

Portfolio

Leader of Council and Corporate Portfolio

Report Contact: Mark St Romaine
Phone: (01274) 432888
E-mail:
mark.stromaine@bradford.gov.uk

Improvement Area:

Corporate

1. SUMMARY

- 1.1 The purpose of this report is to bring to the attention of members of the Governance and Audit Committee (G&AC) 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.

2. BACKGROUND

- 2.1 Internal Audit is part of Financial Services within the Department of Corporate Resources. This is the monitoring report on the Internal Audit Plan for 2023/24. This is detailed in Appendix 1.
- 2.2 The report enables the Council to demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS). These require the Head of Internal Audit to report periodically to the Governance and Audit Committee on Internal Audit's activity, purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested either by senior management or the Governance and Audit Committee.

The PSIAS also require the Head of Internal Audit to communicate the Internal Audit activity's plans and resource requirements, including significant interim changes, to the Governance and Audit Committee, including any impact of resource limitations.

3. OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION

- 3.1 Not Applicable.

4. OTHER CONSIDERATIONS

- 4.1 There are no other considerations.

5. OPTIONS

- 5.1 Not applicable

6. FINANCIAL AND RESOURCE APPRAISAL

- 6.1 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.

7. RISK MANAGEMENT

- 7.1 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 2023/24 was drawn up and any issues on the risk register that relate to an individual audit are included within the scope.

7.2 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.

8. LEGAL APPRAISAL

8.1 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.

9. OTHER IMPLICATIONS

9.1 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.

9.2 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.

9.3 Greenhouse Gas Emissions Impacts

There are no impacts on Gas Emissions.

9.4 Community Safety Implications

There are no direct community safety implications.

9.5 Human Rights Act

There are no direct Human Rights Act implications.

9.6 Trade Union

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

9.7 Ward Implications

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

9.8 Implications for Corporate Parenting

None

9.9 Issues Arising from Privacy Impact Assessment

None

10. **NOT FOR PUBLICATION DOCUMENTS**

10.1 None.

11. **RECOMMENDATIONS**

That the Governance and Audit Committee:

11.1 Endorse the anticipated coverage and changes of Internal Audit work during the year.

11.2 Requires Internal Audit 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.

12. **APPENDICES**

Appendix 1 – Internal Audit Plan for 2023/24 – Monitoring Report as at 30 September 2023.

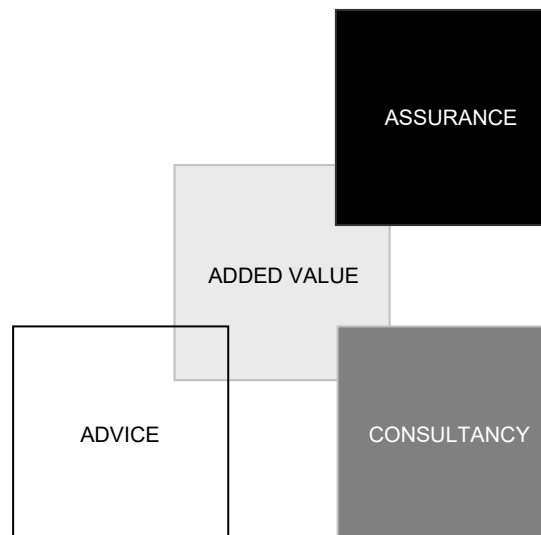
13. **BACKGROUND DOCUMENTS**

13.1 G&AC report dated 15 June 2023 – Internal Audit Plan 2023/24.

INTERNAL AUDIT PLAN 2023/24

MONITORING REPORT

AS AT 30.9.23.



DEPARTMENT OF CORPORATE RESOURCES

1 INTRODUCTION

- 1.1 The Internal Audit Annual Plan for 2023/24 was approved by the Governance and Audit Committee (G&AC) at its meeting on 15 June 2023. This report is the monitoring report for this financial year. It identifies the progress made against the Internal Audit Plan up until 30 September 2023 and identifies any significant audit issues arising.
- 1.2 The report enables the Council to demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS). These require the Head of Internal Audit to report periodically to the Governance and Audit Committee on Internal Audit's activity, purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested either by senior management or the Governance and Audit Committee.
- 1.3 The PSIAS also require the Head of Internal Audit to communicate the Internal Audit activity's plans and resource requirements, including significant interim changes, to the Governance and Audit Committee, including any impact of resource limitations.

2 RESOURCES

2.1 Audit Resources

The Internal Audit Plan for 2023/24 has less capacity, 231 days (9%), than in 2022/23 (2184 days v 2415 days). The net decrease is due to one Audit Manager leaving during 2022/23 and not being replaced, and a long term sickness absence that was ongoing at the beginning of 2023/24, with the member of staff returning to work at the end of Q1. A rearrangement of management responsibilities is currently ongoing. In March 2023 the Graduate Trainee Auditor was appointed to the post of Senior Auditor. A new Graduate Trainee Auditor had also been appointed in December 2022. Another Senior Auditor has increased their working hours.

The Audit Plan includes 260 days in the Audit Plan for auditing the West Yorkshire Pension Fund and a further 44 days for the management of insurance and risk management. The net planned audit days for Bradford Council in the 2023/24 Audit Plan approved by the G&AC was 1880 days.

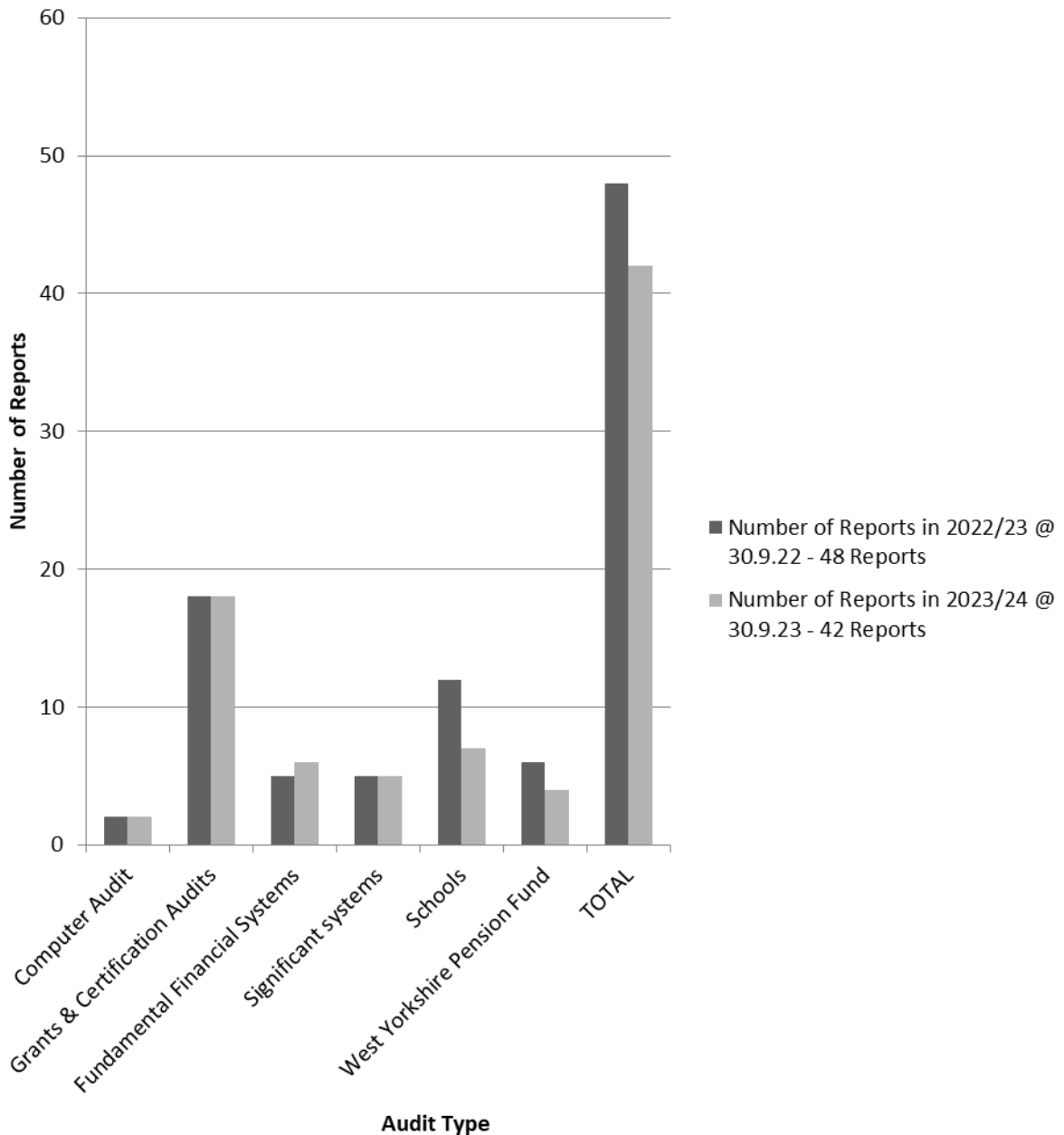
3 SERVICE DELIVERY

3.1 Audit Coverage –

As at 30 September 2023, 45% of the 2023/24 audit plan has been completed, which is the same as the 2022/23 position, where 45% of the 2022/23 audit plan had been completed as at 30 September 2022.

All Internal Audit assignments result in an Audit Report that identifies the audit coverage, findings from the audit, risks arising from identified control weaknesses and prioritised audit recommendations. Chart One below shows that as at 30 September 2023 a total of 42 reports have been issued, which is slightly less than the 48 reports issued as at 30 September 2022. The chart shows a breakdown of the reports by audit type.

Chart One: Showing the Breakdown by Audit Type of Audit Reports Issued As At 30 September 2022 and As At 30 September 2023



3.2 Control Environment

The following table details the opinions from those audits over the last two years where an appraisal of the overall system could be obtained. As can be seen the proportion of reports assessed as either good or excellent opinions is over 80% of the opinions reached. Whilst reassuring, this is as expected as Internal Audit’s core focus is on fundamental and significant systems, and schools. Further, Internal Audit’s work includes an increasing proportion of grant certification and West Yorkshire Pension Fund audits, both of which have a track record of being well controlled.

Table One: Six Monthly Analysis of Audit Opinions raised in Internal Audit Reports issued in the Period 1 October 2021 to 30 September 2023

	1 Oct 2021 to 31 March 2022		1 April 2022 to 30 Sept 2022		1 Oct 2022 to 31 March 2023		1 April 2023 to 30 Sept 2023	
Opinions	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion
Excellent	10	37%	18	41%	8	35%	19	49%
Good	12	44%	17	39%	13	57%	15	38%
Partially Effective	4	15%	9	20%	2	9%	5	13%
Ineffective	1	4%	0	0%	0	0%	0	0%
Total Relevant Reports	27		44		23		39	
Not applicable*	7		4		1		3	
Total Reports	34		48		24		42	

* Internal Audit gives an opinion on the control environment whenever it is appropriate to do so. However, audit reports that provide advice, review specific control concerns or investigate irregularities generally do not have an opinion as they are too limited in scope.

The analysis above relates to those reports with opinions. Opinions are derived from a standard analysis of the level of control satisfaction and number of high priority recommendations within a report. Where reports are produced that do not relate to the planned evaluation of risks and controls, for example in response to requests for advice on specific matters, or in response to known control failures there is often no opinion applied to the report.

Internal Audit looks to minimise those reports without an opinion. Reports without an opinion were 7% (3) of all reports issued over the period 1.4.23 to 30.9.23.

The audit work has identified that 81% of controls examined were operating satisfactorily, which is slightly more than the 77% found to be operating satisfactorily in 2022/23. All concerns arising from the audit assignments result in an audit recommendation. To date, 100% of our audit recommendations have been accepted by management.

3.3 Follow Up of Audit Recommendations

During the first half year a follow up exercise was completed. In total 156 recommendations from 55 reports were included in the follow up process representing all agreed high priority recommendations included in reports issued up to 30 June 2023. 37 of these (24%) were recommendations that had already been confirmed as partially implemented and the remainder were recommendations which management had agreed to implement.

The follow up process aimed to ascertain the current progress in implementing each recommendation through discussion with management, backed up wherever possible by evidence to support the stated position.

The follow up process found that 126 (81%) of the recommendations had been fully implemented as agreed, with a further 18 (11%) were partially implemented. Three

recommendations (2%) had not yet been acted upon, however, their agreed implementation dates had not past at the time of the follow up. Nine recommendations (6%) were considered no longer relevant.

In terms of Departmental performance, the percentage of recommendations which were closed following the process (due to being implemented or no longer relevant) were: Chief Executive - 86%; Children's Services - 99%, Corporate Resources - 64%; Health & Wellbeing - 67%; Place - 90%. The table below shows the full breakdown.

Department	Total	Opening Position		Closing Position			
		Agreed	Partially Implemented	No Action	Partially Implemented	Implemented	No Longer Relevant
Chief Executive	22	18	4	1	2	16	3
Children's Services	79	74	5	0	1	73	5
Corporate Resources	33	23	10	2	10	20	1
Health and Wellbeing	12	4	8	0	4	8	0
Place	10	0	10	0	1	9	0
	156	119	37	3	18	126	9

Progress against the implementation of all outstanding unimplemented recommendations, together with new agreed high priority or critical recommendations will continue to be monitored.

3.4 Summary of Audit Reports and Findings

A summary of the routine audits undertaken and the recommendations identified is reported in Appendix A.

3.5 Annual Assurance Process

For 2022/23 the Council undertook a self assurance process for managers on their compliance with key governance issues. The process covered the following areas

- Behaviours and Values.
- Employee Code of Conduct.
- Regulatory Compliance.
- Whistleblowing.
- Procurement.
- Equality.
- Service Planning (including environmental impacts).
- Performance.
- Scheme of Delegation.
- Safeguarding.
- Health & Safety.
- Risk Management.
- Records Management & Information Security.
- Compliance with the Council's Financial Regulations & Budgetary Control.
- Partnerships.

The completed assessments are shared with Assistant Directors who subsequently provide a declaration that they have examined the results for their service areas and

taken corrective action to deal with any weaknesses identified. Completed assessments were provided to all Assistant Directors by their 4th tier managers, and a total of 112 assessments were made.

3.6 Overall Audit Opinion

From the work currently completed, Internal Audit has no evidence to indicate that the Council's internal control framework, risk management and governance processes is not effective. The Head of Internal Audit expects to be in the position to give an Internal Audit Opinion by the end of the financial year dependent on future events and planned activity. However, this requires 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 has no agreed access to these organisations with both carrying a significant inherent financial risk for the Council.

3.7 Prioritisation of Internal Audit Coverage in 2023/24

The first half of the year has seen the team prioritise delivery of Fundamental and Significant systems audits, together with grant audits as the majority of grants have certification dates of end of June or September.

In the second half of the year the Service will perform more School and West Yorkshire Pension Fund audits, and continue its focus on Fundamental and Significant systems, which provide broader assurance on the Council's governance processes and materially contribute to audit's opinion on the Council's control environment.

Fundamental and Significant systems require more input from services and the audit process takes longer in comparison to other types of audit. It is concerning that these audits, but particularly significant systems audits, are taking an increasing amount of time to progress due to delays in services responding to requests for meetings, audit evidence and responses to recommendations made in draft audit reports.

The audit team endeavours to minimise these delays, which hinder performance, by working flexibly, providing advance notice of audits, regularly following up outstanding requests with service managers, and where necessary, escalating issues to senior management. Despite these efforts the trend is of increasing delays.

The following Fundamental and Significant systems audits will be prioritised in the second half of the year.

Fundamental Systems Audit	Significant Systems Audit
Accounts Payable Assurance	Annual Governance Process
Accounts Receivable Billing	Conflicts of Interest
Council Tax - Enforcement & Write Offs	Exception to Contract Standing Orders
Capital schemes	Key Decision Making/Legal Compliance
Cash and Banking Project	FM Catering and Cleaning Service
Cash balancing and reconciliation	Housing Revenue Account

Cash management	Miscellaneous Rents
Discretionary Housing Payments	Education Attendance
External Payroll (inc billing)	BACES
IR35	Better Care Fund including Support & Enablement
Payroll Key Control Assurance	Continuing Healthcare
Payroll Voluntary Deductions	Deferred Payment for Care - Follow Up Education Attendance
	Data Quality (Adult Social Care)
	Office of Public Guardian Assurance Audits
	New Charging Policy (Non-Residential Care Services)
	Clean Air Fund Exemption
	Grants to Voluntary Organisations
	Waste Management

During the year the audit plan is subject to revision in light of requests for, or the need to do additional unplanned audit work and also to reflect any in year changes in available resources. Those audits added to the plan and those that have been replaced are detailed below.

Additional unplanned audit work done/proposed doing in 23/24	Reason	Planned audit work proposed not doing in 2023/24	Reason
Innovate UK Grant	New grant requiring Internal Audit certification	Transitional Planning	Senior Management requested deferral to 2024/25
		PE & Sports Grant 22/23	No requirement for audit
		Flexitime	Senior Management requested audit be deferred until 2024/25 as new flexi policy due to come into effect in Jan 2024
		Budgetary Control	Under Senior Management review

3.8 Internal Audit's Performance Indicators

Client Feedback

After each audit a client feedback questionnaire is issued to the appropriate officer to obtain feedback from them about the audit. 100% of the officers that responded said that the audit recommendations made were useful, realistic and overall the audit was of benefit to management.

Timeliness of Audits

As at the end of September 2023, 84% of draft reports were issued within 3 weeks of finishing the site work, which is above the target of 80%. 95% of final reports were issued within a week of the post audit meeting. The timeliness of issuing draft and final reports is crucial to providing a good service to officers, enabling them to deal with the issues raised and consider the recommendations made.

3.9 Public Sector Internal Audit Standards External Review Action Plan

On the 15 June a report to Governance and Audit Committee provided feedback on the CIPFA review to determine the Internal Audit function's compliance with the UK Public Sector Internal Audit Standards. The assessment concludes that the Internal Audit Service generally conforms with the Public Sector Internal Audit Standards which is the highest level of compliance. A number of improvement actions were included in the report which Internal Audit management agreed to.

These improvement actions are being progressed and Appendix B indicates their status as at 30.9.23.

Appendix A Summary of Audit Reports and Findings

Appendix B Public Sector Internal Audit Standards External Review Action Plan as at 30.9.23

Summary of Audit Reports and Findings

1. Fundamental Systems

- 1.1 During the first half of the year, six audit reports were issued relating to fundamental systems, two had an audit opinion of Excellent, three were Good and one was Partially Effective.
- 1.2 The review of Accounts Payable, Miscellaneous Payments gave a Partially Effective audit opinion. The key concern identified was inaccurate or inappropriate payments could be made due to a lack of documentation to support the payments being made.

2. Significant Systems

- 2.1 During the first half of the year, five reports relating to significant systems were issued, four of these had an audit opinion of Good. These were the audits of Members' Allowances, Planning Applications and Building Regulations Fees, Travel Assistance Service and Vally View Court.
- 2.2 The review of Built Environment gave a Partially Effective audit opinion. The key concerns identified were not all building condition surveys have been carried out on a timely basis; fire safety risk assessments are not regularly being carried out as required by policy; adequate performance information in areas such as value for money and budgeting is not readily available; maintenance work carried out internally is not adequately assessed to ensure value for money is being achieved; and adequate management information is not readily available regarding the repair and maintenance of Authority buildings.

3. Schools

3.1 School Audits

Between April 2023 and the end of September 2023, seven reports relating to schools were issued. A remote approach to delivering school audits, introduced in response to the Covid 19 pandemic, continued to be undertaken, and it has now been increasingly possible to actually visit some schools.

- Five reports related to individual school financial audits. All included recommendations to improve the control environment at each school that had been audited, three with audit opinions of Good, and two were Partially Effective
- The sixth report related to an individual school audit undertaken on the theme of related party transactions, declared as part of the Schools Financial Value Standard (SFVS) process for 2022/23. The report included recommendations for improvement and had the opinion of Partially Effective. This is referred to in more detail below
- The seventh report was an analysis of schools' self-assessment returns relating to the SFVS process for 2022/23, which is referred to in more detail below

3.2 Schools Financial Value Standard

The Council's Director of Finance, as Section 151 officer, was required to submit an Annual Position Statement (APS) to the Department for Education (DfE) before the 31st May 2023 and this occurred with Internal Audit's assistance before the deadline date. As mentioned above, an analysis report of school's SFVS self-assessment returns for 2022/23 was provided to the Director of Finance to support his sign off of the APS.

At the 2022/23 financial year end, all maintained schools were required to complete a self-assessment against the DfE's SFVS Standard. As at 31st March 2023, SFVS self-assessments were completed by 73 of the Council's 75 maintained schools, leaving two that were late. These were promptly chased up and all were received by 28th April 2023. Four returns were also received from exempt schools with Academy Orders in place, demonstrating that they value the SFVS process although it was no longer required.

14 returns were sample tested to analyse and arrive at a grading of Good, Average or Poor. 13 (93%) were graded as Good or Average, comparing favourably with a result of 88% in the previous year. One school produced a return graded as Poor and they were individually contacted by Internal Audit to provide advice and support in order that an improved SFVS return is produced and submitted next year.

Introduced in 2022, Question 26 on the 2023 return requires schools to provide information and assurance for related party transactions; "Are there adequate arrangements in place to manage related party transactions and has a complete list of related party transactions been appended to the checklist document?"

The SFVS guidance for question 26 recommends that local authorities pay closest attention to those single related party transactions valued at over £20,000 and gives Councils a discretion to seek further information for additional assurance. For the school reported to above, the completed related party transactions template and the management arrangements were reviewed.

4. Grants

Grant certification work is carried out in response to conditions placed on central government targeting of funding to local authorities, for example funding for pothole repairs on the District's highway network.

The grants requiring certification can vary and change each year. The audit plan for 2023/24 has seen the number of grants requiring review decrease by 4 to a total of 20. To date 18 reports have been issued relating to capital and revenue grants that required Internal Audit certification.

The values of the grants varied considerably, conditions also varied and included confirming that targets had been met, that funds had been appropriately spent and that other requirements, such as publication of how the grant had been used, had been complied with.

Overall Internal Audit has been able to give a positive opinion for all grants and consequently no funding has been lost.

5. Computer Audit

Computer audit services are provided by Salford Council under a contract arrangement. They are working to an audit plan covering the period 01/4/23 to 31/03/26 (three years) which was informed by an initial needs assessment. During the first half of 2023/24 two audit reports were issued, both with a good opinion, Email Management and Third Party Access Management. Three audits were ongoing as at 30.9.23 Business Continuity, Service Desk Management and Software Asset & Licence Management. In the second half of 2023/24 computer audits are planned for Network Management (& Telephony), the Northgate and SAP Applications, the Active Directory and Physical Environment Security.

6. West Yorkshire Pension Fund (WYPF)

During 2023/24 Internal Audit will carry out a variety of audits within the West Yorkshire Pension Fund (WYPF), in accordance with the annual plan agreed with WYPF Management. Reports issued to the 30 September 2023 were in respect of the following:-

- **Exiting Employers.** This was a high-level review of the process around employers who were leaving the West Yorkshire Pension Fund and the approach taken to exit valuations including exit payments and credits. The standard of control surrounding this process was found to be good, however, two High Priority recommendations were required to further enhance this process.
- **Northern LGPS GLIL Infrastructure.** This audit looked at the arrangements which surround the use of the GLIL Infrastructure alternative investment fund, of which WYPF is a partner. The work was performed collaboratively with Internal Audit colleagues at Tameside Council (Greater Manchester Pension Fund) and Wirral Council (Merseyside Pension Fund). The control environment was found to be excellent with no recommendations being made.
- **New Pensions and Lump Sums Ill Health Pensions.** This audit examined the calculation of the pension benefits for those members who have had to retire because of Ill Health and are entitled to immediate payment of their pension benefits. The control environment for this process was found to be of an excellent standard with no recommendations being required.
- **Review of WYPF 2022/23 Report and Accounts.** This is an annual review process, which ensures the Report and Accounts are consistent with internal control reviews carried out by Internal Audit during the year.

7. Full List of Internal Audit Completed in 2023/24 As At 30 September 2023

7.1 A full list of the reports issued this financial year to date is detailed below.

Audit Category	Client	Opinion	Title
Significant Systems	Place	Good	Planning Applications and Building Regulations Fees
Significant Systems	Children's Services	Good	Travel Assistance Service
Fundamental Systems	Corporate Resources	Good	NDR - BIDs
West Yorkshire Pension Fund	Chief Executive	Good	WYPF Exiting Employers

West Yorkshire Pension Fund	Chief Executive	Excellent	NLGPS GLIL Infrastructure
Schools	Corporate Resources	N/A	SFVS Analysis 2023 Final Report
Fundamental Systems	Corporate Resources	Excellent	Certification of Pension Contribution
Significant Systems	Corporate Resources	Partially Effective	Built Environment
Fundamental Systems	Corporate Resources	Excellent	Accounts Receivables Key Controls 2022/23
Computer	Corporate Resources:IT	Good	E-Mail Management
Grants	Place: Economic Development	N/A	Innovate UK Grant Application
Significant Systems	Health and Wellbeing	Good	Valley View Court
Schools	Children's Services	Good	Ashlands Primary School
Significant Systems	Corporate Resources	Good	Members' Allowances
Schools	Children's Services	Partially Effective	SFVS RPT Ley Top Final Report 2023
Grants	Bradford Children and Family Trust	Good	Supporting Families Q1 2023/24
Schools	Children's Services	Good	Burley & Woodhead CE Primary School
West Yorkshire Pension Fund	West Yorkshire Pension Fund	Excellent	WYPF New Pensions & Lump Sums - Ill Health Pensions
Grants	Place	Excellent	Clean Air Fund Capital Grant 2022/23
Grants	Place	Excellent	Clean Air Fund Revenue Grant 2022/23
Grants	Place	Excellent	Clean Air Zone Implementation Fund Capital Grant 2022/23
Grants	Place	Excellent	Clean Air Zone Implementation Fund Revenue Grant 2022/23
Schools	Children's Services	Partially Effective	Wellington Primary School 2022/23
Schools	Children's Services	Partially Effective	Steeton Primary School
Fundamental Systems	Corporate Resources	Good	Council Tax Valuation & Billing
Fundamental Systems	Corporate Resources	Partially Effective	Accounts Payable - Miscellaneous Payments
Grants	Place	Excellent	Disabled Facilities Grant 2022/23
Grants	Place	Excellent	Transforming Cities Fund 22-23
Grants	Place	Excellent	City Connect 2022/23
Grants	Place	Excellent	Highways Maintenance Challenge Fund 2022/23
Grants	Place	Excellent	WYCA Local Transport Block Funding 2022/23
Grants	Place	Excellent	West Yorkshire Plus Transport Fund 2022/23
Grants	Place	Excellent	Pot Hole Action Fund Grant 22-23

Grants	Place	Excellent	City Region Sustainable Transport Fund 2022/23
Grants	Place	Excellent	Getting Building Fund - One City Park Grant Claim
Grants	Place	Excellent	Active travel Grant claim
Grants	Place	Excellent	Getting Building Fund - Bradford City Village 202223
Schools	Children's Services	Good	St Stephen's Primary School
Fundamental Systems	Corporate Resources	Good	NDR Valuation & Billing Including Reliefs and Discounts
West Yorkshire Pension Fund	Chief Executive	N/A	WYPF Review of 2022/23 Report and Accounts
Grants	Bradford Children and Family Trust	Good	Supporting Families Q2 2023/24
Computer	Corporate Resources:IT	Good	Third Party Access Management

Public Sector Internal Audit Standards External Review Action Plan as at 30.9.23

CIPFA Review PSIAS Recommendation	Agreed Action	Implementation Date	Management Action
<p>1. Present the full audit charter to the Governance and Audit Committee annually (Medium)</p>	<p>Updated Internal Audit Charter will be included in the 2022/23 Annual Internal Audit Report which is timetabled for the 20th July 2023 Governance and Audit Committee</p>	<p>August 2023</p>	<p>Updated Internal Audit Charter presented to the Governance and Audit Committee 20th July 2023</p>
<p>2. Define the term Senior Management in the audit charter (Medium)</p>	<p>The updated Internal Audit Charter will define Senior Management which will include Council Management Team and the Executive and reported to the 20th July 2023 Governance and Audit Committee.</p>	<p>August 2023</p>	<p>Updated Internal Audit Charter presented to the Governance and Audit Committee 20th July 2023</p>
<p>3. Define the terms ‘assurance services’ and ‘consulting services’ in the audit charter (Medium)</p>	<p>The definition of assurance and consultancy services will be included in the updated Internal Audit Charter reported to the 20th July 2023 Governance and Audit Committee.</p>	<p>August 2023</p>	<p>Updated Internal Audit Charter presented to the Governance and Audit Committee 20th July 2023</p>
<p>4. Add a statement on impairments to the annual report and opinion (Advisory)</p>	<p>The Annual Internal Audit Report 2022/23 will include a statement detailing Internal Audit’s conformance as an independent and objective assurance service or where required any impairments which have prevented these professional requirements along with the impact of the impairment.</p>	<p>August 2023</p>	<p>The Annual Internal Audit Report presented to the Governance and Audit Committee of the 20th July stated “During 2022/23 this requirement has been complied with and there has not been any impairments to Internal Audit’s independence and objectivity in performing its work.”</p>

<p>5.Ensure the Service’s learning and development records are comprehensive and reviewed regularly (Advisory)</p>	<p>The Learning and Development log will be updated and included in The Annual Internal Audit Report 2022/23. In addition the Evolve system will be checked to see how professional training can be added to individual Auditor records</p>	<p>August 2023</p>	<p>The Learning and Development Log was updated and included in the Annual Internal Audit Report 2022/23. However the check on how Evolve can be updated has still to take place</p>
<p>6. Consider obtaining and using a specialist data analytics software application (Advisory)</p>	<p>A review of the options for data attraction and analysis will be undertaken by the Internal Audit Team to see what improvements could be delivered for Bradford Council. This will include a review of any benefits that can be realised from benchmarking.</p>	<p>January 2024</p>	<p>An introductory meeting on Data Analytics took place on the 25th October but the current financial position of the authority limits further progress. The use of more generic tools such as Microsoft Office can also replicate data analytics work.</p>
<p>7. Use of benchmarking data when scoping audits (Advisory)</p>	<p>A review of the options for data attraction and analysis will be undertaken by the Internal Audit Team to see what improvements could be delivered for Bradford Council. This will include a review of any benefits that can be realised from benchmarking.</p>	<p>January 2024</p>	<p>An introductory meeting on Data Analytics took place on the 25th October but the current financial position of the authority limits further progress. The use of more generic tools such as Microsoft Office can also replicate data analytics work.</p>
<p>All audits in the published audit plans should be prioritised and aligned to the Council’s or Pension Fund’s objectives. (Medium)</p>	<p>This analysis will be included in the preparation of the Internal Audit Plan for 2024/25 which will also contain a full refresh of the MK Insight Universe and the revised financial position of the Council.</p>	<p>April 2024</p>	<p>The Audit Planning Process for 2024/25 has yet to commence.</p>
<p>Consultation on the International Professional Practice Framework (IPPF) (Advisory)</p>	<p>The Head of Internal Audit is currently being updated on the new framework through their attendance at the Yorkshire Heads of Internal Audit Meeting. Currently there is no indication there will be any significant impact on the overall operation of Internal Audit but this situation will be kept under review.</p>	<p>January 2024</p>	<p>There have been regular updates on the new professional framework at the Yorkshire Heads of Internal Audit Meeting. Currently the Internal Audit Service would be able to implement the proposals in the consultation.</p>

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Report of the Director of Finance to the meeting of Governance and Audit to be held on 23 November 2023

X

Subject:

Treasury Management Mid-Year Review up to 30 September 2023

Summary statement:

This report shows the Council's Treasury Mid-Year Review up to 30 September 2023.

Christopher Kinsella
Director of Finance

Portfolio:
Leader of the Council and Corporate

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Chief Investment Officer
Phone: (01274) 43 2361
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Overview & Scrutiny Area:
Corporate

Treasury Management Review up to 30th September 2023

Background

1.1 Treasury management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.2 Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-Year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Governance and Audit Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers 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.

2. Economics and interest rates

2.1 Economics update

- The first half of 2023-24 saw:
 - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
 - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
 - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
 - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
 - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
 - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market is showing signs of easing, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July

2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- The cooling in labour market conditions has only started to feed through to an easing in wage growth in the latest data sets. Recently the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and, in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.

- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).
- The pound weakened from its cycle high of \$1.30 in the middle of July to \$1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.
- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

2.2 Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. Link Group PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 25th September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

Link Group Interest Rate View 25.09.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

3 Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2023-24 was approved by this Council on 23 March 2023 (Governance & Audit Committee). There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

3.1 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans.
- How these plans are being financed.
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow.
- Compliance with the limits in place for borrowing activity.

3.1.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget. The revised estimate is based on increased scrutiny of the schemes and budget profiles within the capital programme that took place at Quarter 1.

Capital Expenditure	2023-24 Original Estimate £m	Current Position 30 Sept 2023 £m	2023-24 Revised Q2 Estimate £m
General Fund	232	74.1	212
HRA*	5	1.7	3
Total capital expenditure	237	75.8	215

3.1.2 Changes to the Financing of the Capital Programme

The table over draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2023-24 Original Estimate £m	2023-24 Revised Q2 Estimate £m
Total capital expenditure	237.0	215.0
Total financing	133.0	107.0
Borrowing requirement	104.0	108.0

Projected changes to the profiling of individual schemes and their funding have resulted in an increased new borrowing requirement of £108m for the 2023-24 Capital Programme.

3.1.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so the underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The increased borrowing requirement for estimated capital spend funding in 2023-24 has increased the CFR estimate.

The table below also shows the expected debt position over the period, which is termed the Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed.

	2023-24 Original Estimate £m	2023-24 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement		
Non-HRA	819	822
HRA	35	35
Total CFR**	854	857
Net movement in CFR		3
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	729.5	729.5
Other long-term liabilities*	130.5	130.5
Total debt (year-end position)	860	860

*Includes on balance sheet PFI schemes and finance leases

**Review of MRP Policy will impact on CFR, further updates to be provided

	2021-22 Actual £m	2022-23 Actual £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
Non-HRA	-	-	822	901	920	953
HRA*	-	-	35	37	37	33
Capital Financing Requirement	712	769	857	938	957	986
Movement in CFR		57	88	81	19	29

Movement in CFR represented by

Net financing need for the year (above)		77	108	104	35	57
Less MRP/VRP and other financing movements		-20	-20	-23	-26	-28
Movement in CFR		57	88	81	19	29

3.1.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023-24 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2023-24 Original Estimate £m	Current Position 30 Sept 2023 £m	2023-24 Revised Estimate £m
Long term Borrowing	546.0	415.1	468.1
Other long-term liabilities	130.5	130.5	130.5
Short term borrowing	0.0	92.0	88.0
Total debt	676.5	637.6	686.6
Total debt excluding short term borrowing	676.5	545.6	598.6
CFR (year-end position)	854.0		857.0

The CFR calculation is shown in the table above and the Director of Finance reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2023-24 Original Indicator £m	2023-24 Revised Indicator £m
Borrowing	749.5	749.5
Other long-term liabilities	130.5	130.5
Total	880	880

3.1.5 Borrowing

The Council's capital financing requirement (CFR) for 2023-24 is expected to be above the original forecast of £854m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has current borrowings of £507.1m and has utilised cash flow funds in lieu of borrowing and taken out short term loans. This is a prudent and cost-effective

approach in the current economic climate but will require ongoing monitoring if any upside risk to gilt yields prevails.

The capital programme is being kept under regular review because of inflation and shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

£6.5m of PWLB (Public Works Loan Board) loans are due to mature in January 2024 with a rate of interest of 9.125%. It is anticipated that borrowing will be undertaken during this financial year.

Short-term borrowing of £92m has also been undertaken at interest rates ranging between 5.2% and 5.9%. Based on current capital spend forecasts it is anticipated that more borrowing will be undertaken during this financial year.

The Council has two Lender Option Borrower Option (LOBO) loans, totalling £14.3m that have a call date within the next few months. Due to the current volatility and increasing borrowing rates within the market, these 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. The treasury team will monitor this situation and report back to the Governance & Audit Committee at a future date on any loans that have been repaid.

PWLB maturity certainty rates (gilts plus 80bps) year to date to 29th September 2023

Gilt yields and PWLB certainty rates were on a generally rising trend throughout the first half of 2023/24. At the beginning of April, the 5-year rate was the cheapest part of the curve and touched 4.14% whilst the 25-year rate was relatively expensive at 4.58%.

July saw short-dated rates peak at their most expensive. The 1-year rate spiked to 6.36% and the 5-year rate to 5.93%. Although, in due course, short-dated rate expectations fell, the medium dates shifted higher through August and the 10-year rate pushed higher to 5.51% and the 25-year rate to 5.73%. The 50-year rate was 4.27% on 5th April but rose to 5.45% on 28th September.

We forecast rates to fall back over the next two to three years as inflation dampens. The CPI measure of inflation is expected to fall below 2% in the second half of 2024, and we forecast 50-year rates to stand at 3.90% by the end of September 2025. However, there is considerable gilt issuance to be digested by the market over the next couple of years, as a minimum, so there is a high degree of uncertainty as to whether rates will fall that far.

3.1.6 Debt Rescheduling

Debt rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt rescheduling has been undertaken to date in the current financial year.

3.1.7 Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management

Strategy Statement for 2023-24. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

3.2 Annual investment strategy

The Treasury Management Strategy Statement (TMSS) for 2023-24, which includes the Annual Investment Strategy, was approved by the Council on 23rd May 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions.

Creditworthiness

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks.

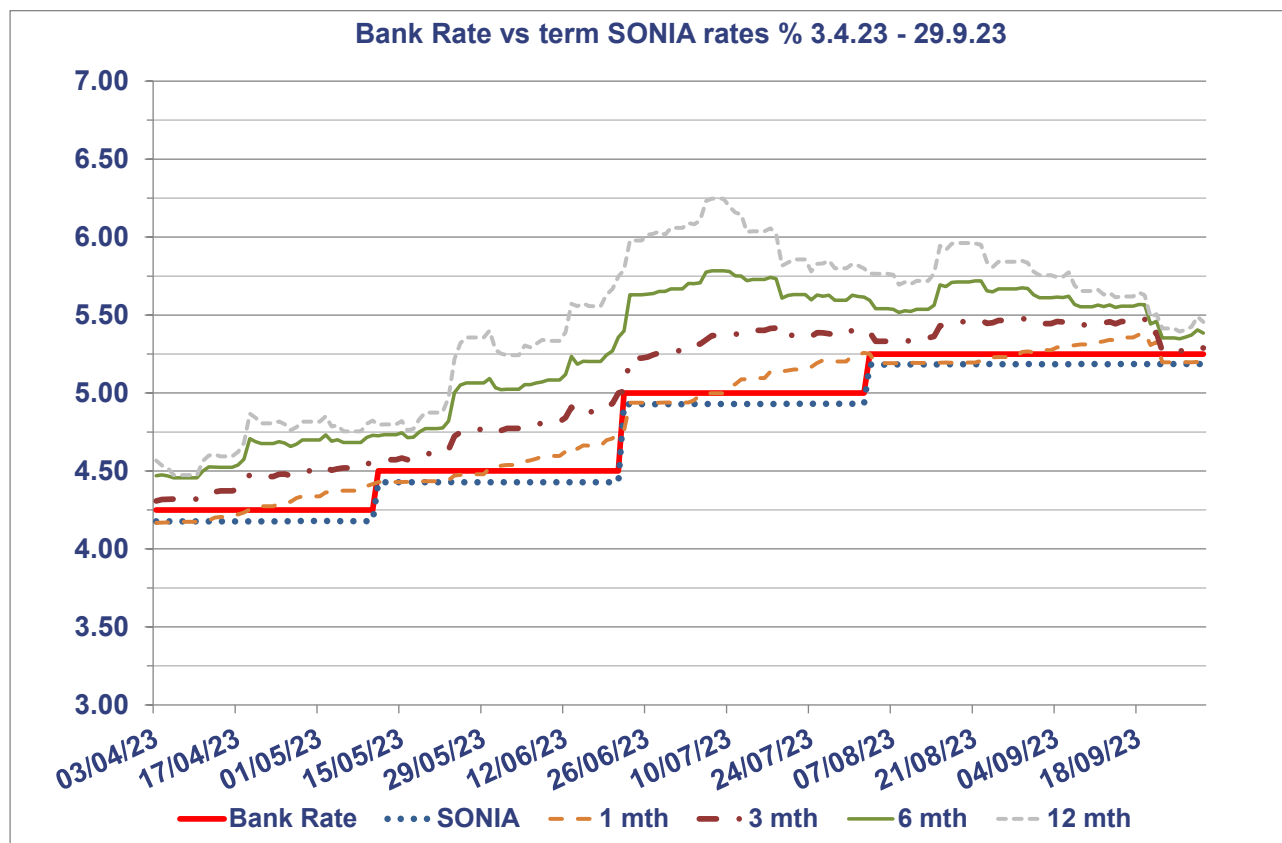
Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Investment balances

The Council held net £29.5m of investments as at 30th September 2023 (£48.3m at 31st March 2023) and the average investment portfolio yield for the 6 months of the year April to September is 4.65% against a benchmark of 4.75%.

Investment performance year to date as of 29th September 2023



	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.25	5.19	5.39	5.48	5.78	6.25
High Date	03/08/2023	29/09/2023	19/09/2023	30/08/2023	07/07/2023	07/07/2023
Low	4.25	4.18	4.17	4.31	4.46	4.47
Low Date	03/04/2023	04/04/2023	03/04/2023	03/04/2023	06/04/2023	06/04/2023
Average	4.81	4.74	4.83	5.03	5.26	5.45
Spread	1.00	1.01	1.22	1.17	1.33	1.77

As illustrated, the Council underperformed the benchmark by around 10 bps or 0.10%. This equates the expected return in the liquidity funds the Council uses to have short term cash deposits on call. Typically, they return around 10 – 15 bp below the base rate at any one time. The Council’s budgeted investment return for the year to date is expected to be below budget.

Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30th September 2023.

3.3 Other areas for consideration

3.1.1 None

4. Other Issues

4.1 No new issues

5. Financial and Resources Appraisal

5.1 The financial implications are set out in sections 2 and 3 of this report.

6. Risk Management and Governance Issues

6.1 The principal risks associated with treasury management are:

Risk: Loss of investments as a result of failure of counterparties.

Mitigation: Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties.

Risk: That the Council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).

Mitigation: Ensuring that a minimum proportion of investments are held in short term investments for cash flow purposes.

Risk: The level of investments and surplus cash is higher than needed to fund short term timing differences.

Mitigation: Cash flow forecasting and capital expenditure monitoring.

Risk: Increase in the net financing costs of the Council due to borrowing at high rates of interest.

Mitigation: Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking mostly long-term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).

Risk: Higher interest rates increase borrowing making it more difficult to self-finance capital schemes. Debt servicing becomes less affordable and less sustainable and crowds out revenue spend.

Mitigation: To pause, delay or defer capital schemes. Also review opportunities to borrow in the future at current interest rates.

Risk: Return on non-treasury investments lower than expected.

Mitigation: Review and analysis of risk prior to undertaking non-treasury investments.

Risk: The Council's Minimum Revenue Policy charges an insufficient amount to the Revenue Estimates to repay debt.

Mitigation: Align the Minimum Revenue Policy to the service benefit derived from the Council's assets.

Risk: Associated with cash management, legal requirements and fraud.

Mitigation: These risks are managed through:

- Treasury Management Practices covering all aspects of Treasury management procedures including cash flow forecasting, documentation, monitoring, reporting and division of duties.
- All Treasury management procedures and transactions are subject to inspection by internal and external auditors. The Council also employs external financial advisors to

provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

Risk: Anticipated borrowing is lower than expected because the 2023-24 capital programme is underspent. This is explained in more detail below, together with the actions being taken to reduce these risks:

Mitigation: The Council is required to set a balanced budget for its revenue estimates; so in broad terms, income received will match expenditure over the 2023-24 financial year. The 2023-24 revenue estimates cause only temporary cash flow differences, for example when income is received in a different month to when the expenditure is incurred.

However, the 2023-24 capital budget will cause a cash flow shortfall in the long term, which generates a borrowing requirement. While some of the capital budget is funded immediately, mainly with Government grants, other elements are not funded initially, leading to the cash flow deficit that requires borrowing.

Managing borrowing is part of the Treasury Management role. To help in its management, the Treasury Strategy identifies the element within the capital budget that is not funded straightaway, to anticipate the Council's borrowing requirement.

However, when the capital budget is underspent, the Council has a lower borrowing requirement than anticipated. This risk is managed in practice because the Council only borrows when there is an actual cash flow shortage. The uncertainty around spend against the capital budget makes cash flow management more difficult. For example, it is less likely that the Council would take advantage of a short-term fall in interest rates, without more certainty around the timing of any borrowing need. Actions that have taken place to manage the risks relating to this uncertainty in the timing of capital spend are Councillor and Officer challenge sessions on the capital budget, increased scrutiny of the capital forecasts in the quarterly monitoring, and the collection of additional documentation around the critical paths of individual schemes.

7. Legal Appraisal

7.1 Any relevant legal considerations are set out in the report

8. Other Implications

- 8.1 Equality & Diversity – no direct implications
- 8.2 Sustainability implications – no direct implications
- 8.3 Green house Gas Emissions Impact – no direct implications
- 8.4 Community safety implications – no direct implications
- 8.5 Human Rights Act – no direct implications
- 8.6 Trade Unions – no direct implications
- 8.7 Ward Implications – no direct implications
- 8.8 Implication for Children & Families – no direct implications
- 8.9 Issues arising from Privacy Impact Assessment– no direct implications

9. Not for publications documents

9.1 None

10. Recommendations

10.1 That the details in Sections 2 and 3 be noted by the Governance and Audit Committee and passed to Full Council on the 12th December for adoption.

11. Appendices

Appendix 1 Prudential and Treasury Indicators as at 30 September 2023

Appendix 2 The CFR, Liability Benchmark and Borrowing

Appendix 3 Borrowing Rates

Appendix 4 Approved Countries for Investment as at 30 September 2023

APPENDIX 1: Prudential and Treasury Indicators as at 30th September 2023

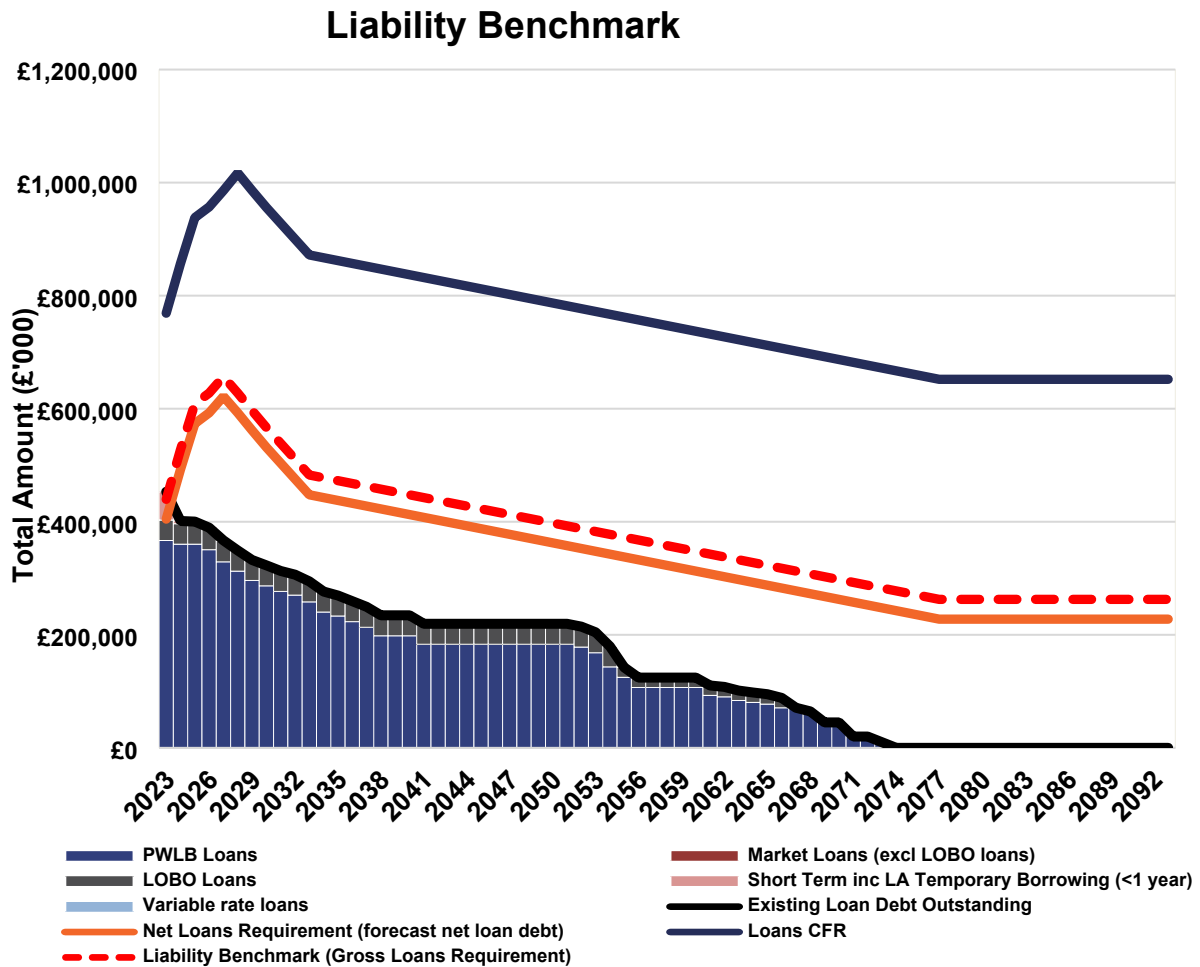
Treasury Indicators	2023-24 Budget £m	(Apr - Sept) Actual £m
Authorised limit for external debt	£880	£880
Operational boundary for external debt	£860	£860
Gross external long-term debt	£676.5	£637.6
Upper limit for principal sums invested over 365 days	£20	£0

Maturity structure of fixed rate borrowing -	Upper Limit	(Apr-Sept) Actual
Under 12 months	20%	19%
12 months to 2 years	20%	2%
2 years to 5 years	50%	13%
5 years to 10 years	50%	11%
10 years and above	90%	55%

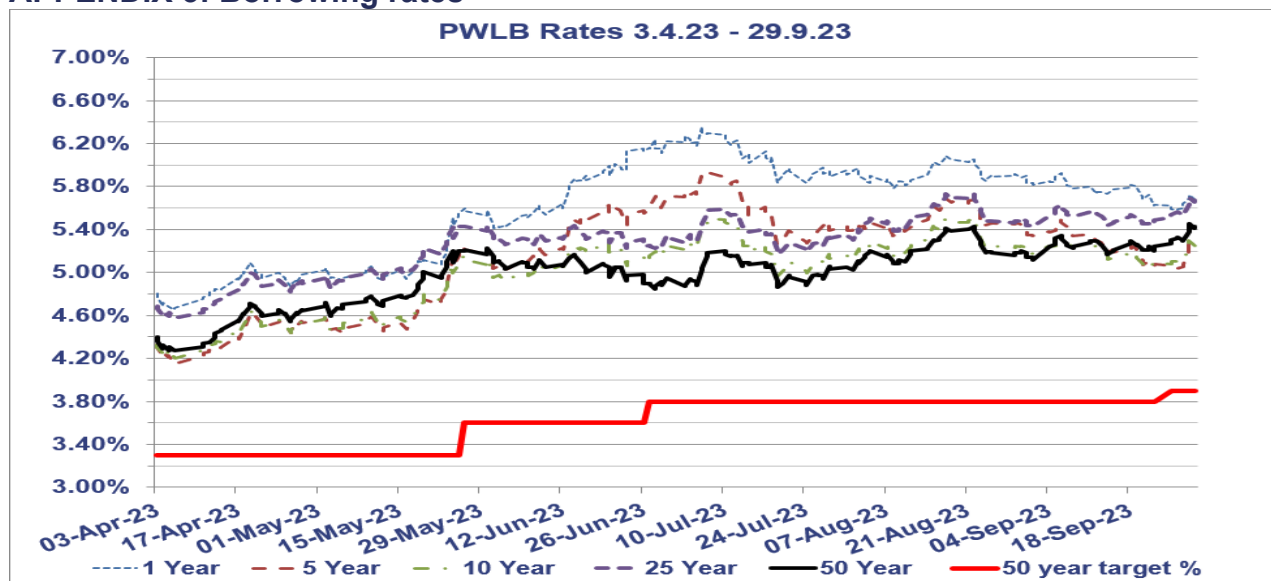
Prudential Indicators	2023-24 Q2 Budget £m	2023-24 Revised Estimate £m
Capital expenditure (Revised Q2 Budget)	215	194
Capital Financing Requirement (CFR)	854.0	857.0
Ratio of financing costs to net revenue stream	13.0%	13.0%

APPENDIX 2: The CFR, Liability Benchmark and Borrowing

This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £35.0m required to manage day-to-day cash flow.



APPENDIX 3: Borrowing rates

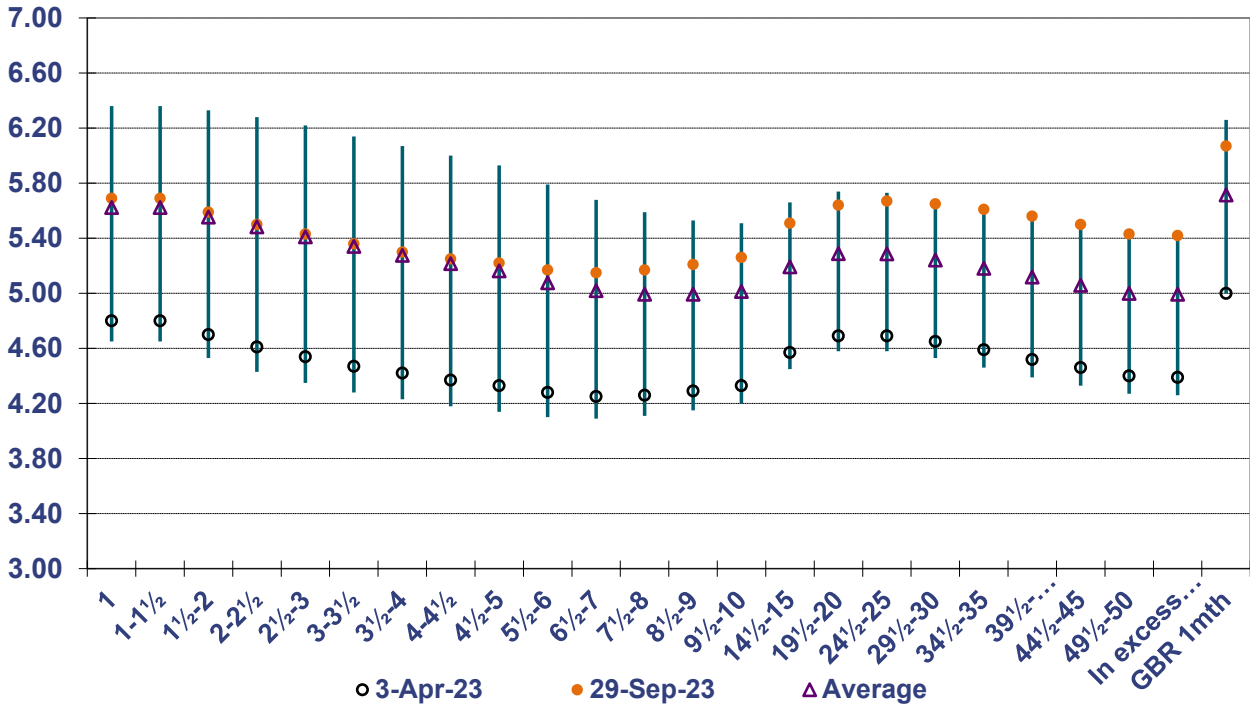


HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

- The current PWLB rates are set as margins over gilt yields as follows: -
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate (GF)** is gilt plus 80 basis points (G+80bps)
 - **PWLB Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)
 - **PWLB Certainty Rate (HRA)** is gilt plus 40bps (G+40bps)
- The **UK Infrastructure Bank** will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

PWLB Certainty Rate Variations 3.4.23 to 29.9.23



APPENDIX 4: Approved countries for investments as at 30th September 2023

Based on lowest available rating

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France (downgraded by Fitch on 9th May 2023)
- Qatar
- **U.K.**



Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 23 November 2023.

Y

Subject:

Minutes of West Yorkshire Pension Fund Local Pension Board meeting held on 13 September 2023.

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 submitted to this committee.

EQUALITY & DIVERSITY:

None

Euan Miller
Managing Director

Portfolio:

Leader of Council & Strategic Regeneration

Report Contact: Yunus Gajra
Phone: 07582105760
E-mail: yunus.gajra@wypf.org.uk

Overview & Scrutiny Area:

1. SUMMARY

The Council's Financial Regulations require the minutes of meeting of WYPF Local Pension Board to be submitted to this committee.

2. BACKGROUND

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.

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

None

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

None

7. OTHER IMPLICATIONS

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. RECOMMENDATIONS

None

10. APPENDICES

None.

12. BACKGROUND DOCUMENTS

Minutes of WYPF Local Pension Board meeting of 13 September 2023.

Minutes of a meeting of the West Yorkshire Pension Fund Pension Board held on Wednesday, 13 September 2023 at 10.00 am in Aldermanbury House, Godwin St, Bradford

Commenced 10.00 am
Concluded 12.05 pm

Present – Members of the Committee

Employer Representatives	Member Representatives
Councillor Shakeela Lal, Bradford Council Cllr D Pickersgill, Wakefield Council	Mark Morris, Unite the Union Philip Charlton, GMB

Councillor Lal in the Chair

Apologies: Isaac Dziya, Mick Binks and David Butcher

19. 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 relevant business under consideration.

Action: Director of Legal and Governance

20. MINUTES

That the minutes of the meeting held on 26 July 2023 be signed as a correct record.

21. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals made to view restricted documents.

22. MINUTES OF THE WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP HELD ON 27 JULY 2023

The report of the Managing Director, West Yorkshire Pension Fund (**Document “L”**) was submitted to the Board in accordance with the Council’s Financial Regulations.

It was questioned if there had been any developments following suggestions

made at the Joint Advisory Group (JAG) meeting about divestment in fossil fuels. In response it was explained that there had been a lot of activity in that area but it was felt that the JAG was not the appropriate body to discuss investment issues. A key area of the Governance Review was to make clear the responsibilities of the Joint Advisory Group; Investment Advisory Panel and the Pension Board.

Discussions would be held on appropriate equity benchmarks at the Investment Advisory Panel (IAP) in October in addition to an Investment Belief session also in October 2023 which would aim to find common ground amongst Panel members on ESG matters. Until those discussions were held it was not possible to speculate what the views of the panel are.

Progress on the formation of a sub-group to look at the process for employers exiting WYPF, which was discussed at the meeting on 27 July was queried. It was explained that nominations for membership had been received and it was hoped that the group would meet in early October.

The Employer Exit Strategy was discussed, and it was clarified that higher interest rates and relatively stable asset values had resulted in generally strong funding levels. Some employers believed that the exit basis which was agreed prior to the rise in interest rates, is overly prudent. The rationale for the sub group is to consider such issues in between the six monthly JAG meetings.

A Member questioned the timescale for any potential changes to the Exit Strategy and was advised that any material changes made to the Funding Strategy Statement (FSS) would be subject to employer consultation and approval by the JAG. The types of employers who were able to exit the Scheme were discussed. Examples included housing associations or small charities who no longer offered membership of the LGPS to new employees. There were several valid approaches to calculating employer exit liabilities and a balance was required to protect existing employers whilst not overcharging those who exited. It was suggested that additional information on the Exit Strategy could be brought to future meetings.

Resolved –

That the minutes of the WYPF Joint Advisory Group 27 July 2023 be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

23. WEST YORKSHIRE PENSION FUND (WYPF) FINANCE REPORT

The report of the Managing Director, West Yorkshire Pension Fund (**Document “M”**) presented the WYPF 2022/23 financial outturn, financial and service performance and the draft 2022/23 annual report and accounts (WYPF accounts). Members were reminded that the Local Government Pension Scheme Regulations 2013 (LGPS Reg 2013), Regulation 57 specified that:

- An annual report must be prepared each year ending 31 March.
- The annual report must be published by 1st December following the yearend.

- WYPF must also have regard to guidance from the Secretary of State and use best practice.

It was explained that the sign off of the final accounts and audit opinions had been delayed due to a new Statutory Instrument which came into force on 25 December 2022. That issue had now been resolved but two further delays were reported. The report confirmed that work was completed on testing the pension accounting figure in employer accounting disclosures against the triennial valuation and Bradford Council officers were working with auditors to review their accounts and maximise resources.

Following a detailed presentation Members were assured that the financial performance of the fund was sound. Pressures on the fund included inflation but investments made in information technology and staff provided resilience.

An indicative timescale for the reports to be signed off was questioned and it was explained that the Council had received a positive legal view on the outstanding matter and auditors provided a different opinion. That situation was common across many UK Local Authorities but sign off would not be until after a consensus was reached. A lot of background work was being undertaken and the Governance and Audit Committee were also exerting pressure for a resolution.

A Member queried if the non-publication of the reports by the year end had impacted on employers' yearly accounts and was advised that employers had received assurances that the value of assets was sound and net assets would not be changed.

The fund's investment team was discussed and a member, explaining that he had never had any contact with those officers, requested that members be invited to see how their work was conducted. The Managing Director reported that a new Chief Investment Officer was now in post and he would be invited to the next meeting to discuss the work of his team.

The impact should a West Yorkshire Local Authority issue a Section 114 Notice was raised and it was confirmed that this would be unlikely to have any direct detrimental effect on the fund or Bradford Council's accounts.

A view on the long term impact of a large number of redundancies was raised and the Managing Director explained that there could be increased demand on WYPF's administration service but he had not heard of any authority that had issued a S114 Notice defaulting on its contributions. The potential opportunity to recruit into the fund was also discussed.

Resolved –

- 1. That the contents of the annual report and account be noted.**
- 2. That the financial and service performance reported in Document 'M' be noted.**

ACTION: Managing Director, West Yorkshire Pension Fund

24. INTERNAL AUDIT PLAN 2023/24 TO 2027/28

The report of the Managing Director, West Yorkshire Pension Fund (**Document “N”**) presented the latest five-year internal audit plan for WYPF. Members were advised that the plan was reviewed annually by WYPF and CBMDC internal audit by carrying out a detailed assessment of WYPF business activities, pensions and investment regulatory compliance, environment, service developments and risk management.

Bradford Council’s Audit Manager was in attendance at the meeting and Members were assured that there was a good working relationship between his team, the WYPF and WYPF’s auditor Mazars. Whilst the plan was positive the fund continued to improve key controls and ensure adequate resources were in place to deliver the audit plan.

Resolved –

That the report be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

25. WEST YORKSHIRE PENSION FUND PRODUCTION OF ANNUAL BENEFIT STATEMENTS FOR MEMBERS FOR 2023

The report of the Managing Director, West Yorkshire Pension Fund (**Document “O”**) was presented to provide an update on WYPF annual benefit statement (ABS) production project 2023 for all members entitled to receive an ABS for the calendar year 2023.

A sample ABS was tabled for information. Members questioned which information from the ABS would be included in the Pensions Dashboard and it was confirmed that this would be the calculations at the member’s state retirement date.

Resolved –

That the report be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

26. RISK MANAGEMENT REPORT

The report of the Managing Director, West Yorkshire Pension Fund (**Document “P”**) presented West Yorkshire Pension Fund’s Risk Policy and Strategy. It was explained that the purpose of the Policy and Strategy was to effectively mitigate risks which may otherwise impact on WYPF meeting its statutory responsibilities and strategic objectives. That was achieved by the development and maintenance of a comprehensive risk register. For each risk identified its likelihood of occurrence and materiality was considered and actions were identified in order to mitigate the risk.

Members attention was drawn to recruitment and retention which was a risk identified by many LGPS funds. Due to current challenges facing all funds, such as implementing McCloud and Pensions Dashboard, work was being undertaken with Bradford Council's Department of Human Resource to address recruitment and retention issues. That topic was also reported to the fund's Joint Advisory Group and Investment Advisory Panel.

Information Technology was also discussed and the reliance on Bradford Council's IT platform. Members were advised that there were occasional connectivity issues and WYPF officers sought to ensure that appropriate priority was given to the fund.

It was reported that ongoing discussions were held to reduce all material risks that can be mitigated and that the Risk Management report would be presented at each meeting to consider if there were any additional risks or that any category of risk had changed.

Resolved –

That the report be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

27. LOCAL GOVERNMENT PENSIONS SCHEME REGULATIONS UPDATE

The report of the Managing Director, West Yorkshire Pension Fund (**Document "Q"**) updated Members on changes to the Local Government Pension Scheme (LGPS) 2014 and provided information on associated matters.

Key updates since the last report provided included that on 11 July 2023 the Department for Levelling up, Housing & Communities (DHLUC) had launched a consultation on LGPS investment reforms. The views sought in the consultation were reported and it was confirmed that WYPF would be providing a response. Included in the consultation was a requirement for funds to have a plan to invest up to five percent of assets to support levelling up in the UK. A Member questioned if that percentage would be raised in the future. In response it was felt that this would be difficult to answer. WYPF were already investing in those assets and all funds were being encouraged to do so.

It was explained that when the report was prepared the fund was waiting for McCloud regulations to be published. These had since been issued, on 8 September 2023, and would come into effect on 1 October 2023. Whilst the fund was waiting for guidance on some complex areas, work could now commence.

The assumption that the McCloud remedy would require recalculation of all pensions was queried and it was explained that all cases which met the criteria would be considered. It was not expected that there would be a large financial impact on the Fund but administratively there would be a lot of work to be conducted, there would also be a significant amount of work in technology to make the changes. Members were assured that expected costs to employers had been factored into the last valuation.

It was questioned if the fund had the necessary staffing resources and it was confirmed that recruitment had been conducted in administration. Those employees would require training to ensure they had the adequate expertise.

Resolved –

That the report be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

28. WYPF DATA IMPROVEMENT PLAN

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

Whilst not wishing to be complacent it was felt that the data scores awarded demonstrated that the Fund was in a good place.

The Data Improvement Plan was appended to Document “R” and revealed the key objectives used to improve the accuracy of the data held by the Fund. Members were reminded that the Fund held a lot of post code information and regular sweep exercises were conducted to ensure this was up to date and would provide accurate data for the Pension Dashboards initiative. GMP reconciliation had now been undertaken which would improve scores. A Member asked if deferred members’ details were checked, and it was confirmed that was the case.

Resolved –

That the report be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

29. PENSIONS ADMINISTRATION

The Managing Director, West Yorkshire Pension Fund, presented a report (**Document “S”**) providing an update on West Yorkshire Pension Fund’s (WYPF) pensions administration activities for the period 1 April 2023 to 30 June 2023.

The report included information on all schemes administered by the Fund as at 17 August 2023. Praise and complaints received were reported; performance data for the Annual Benefit Statements and Deferred Benefits Statements was provided together with recruitment and staffing updates.

Audits undertaken by Bradford Council’s Internal Audit team in the period were detailed and it was confirmed that any suggestions for improvements to working practices would be analysed by managers.

The Managing Director was pleased to report that many Key Performance Indicators (KPI's) had been exceeded and the Fund had been shortlisted for Fund of the Year and the Scheme Administrator of the Year.

Anecdotal evidence of members leaving the scheme due to the cost of living crisis were raised and Members questioned measures the Fund were taking to support those affected. Communication undertaken in those circumstances was reported including highlighting the 50/50 scheme available and the top ten benefits of membership. It was explained that despite the current economic climate opt out of the scheme was still low.

Resolved –

That the report be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

30. REGISTER OF BREACHES

The report of the Managing Director, West Yorkshire Pension Fund (**Document “T”**) was submitted to the Board in accordance with the Public Service Pensions Act 2013, which stated that from April 2015 all Public Service Pension Schemes came under the remit of The Pensions Regulator (TPR).

Members were advised that the only breaches on the register were the late payment of contributions by employers which should be received by the 19th day following the month collected.

Assurances were provided that officers did all they could to ensure payments were received and if they became aware that payments were 90 days' late steps were put in place to report that to TPR.

Resolved –

That the entries and action taken on the Register of Breaches be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

31. PENSION BOARD MEMBER TRAINING UPDATE

The report of the Managing Director, West Yorkshire Pension Board presented a report (**Document “U”**) providing details of training courses, conferences and seminars available in order to assist the Scheme Manager and meet the requirements of the Public Service Pensions [\[1\]](#) Act 2013, which effectively stipulated that Pension Board Members must be able to demonstrate suitable knowledge and skills of the LGPS to effectively scrutinise the decisions made by officers.

Members were reminded of the training strategy implemented last June which provided a framework for recording the expertise and knowledge gained. It was acknowledged that Members asked relevant questions at meetings revealing their

understanding but there was a lack of demonstrable evidence of those skills through their attendance at courses, seminars and conferences. The Pensions Regulator (TPR) required members of Pension Boards to undertake the TPR Public Sector Toolkit and once completed they should send a copy of the completion certificate to Sukhjot Kaur. TPR believed that the toolkit should be completed by Members within six months of joining the Pension Board and Members who had not done that were asked to complete this by 31 March 2024. The Fund would also ask for Member's feedback.

It was reported that whilst training was a mandatory requirement for Pension Board Members it was anticipated that the requirement would soon become compulsory for Joint Advisory Group and Investment Advisory Group members.

The report included details of additional training which Members were asked to complete. It was confirmed that the Fund would book all courses and pay all expenses.

Particular attention was drawn to the LGA Fundamentals Training Programme 2023 and the LGA Annual Conference being held in York on 19 and 20th January 2024.

It reported that additional training would also be provided at Pension Board meetings and Member were asked to suggest topics of interest they would like to be covered in those sessions.

Sanctions on the Fund for non-compliance with TPR requirements and the implications for individual board members were discussed.

It was questioned if the LGA Fundamentals programme should be completed annually and it was explained that Members could retake the training if they liked but if not they need undertake this once only.

A Member queried the difference between the TPR Public Sector Toolkit and the Trustees' Took Kit and asked which training was required. In response it was explained that the TPR Public Sector Toolkit was the course included in the training strategy. If Members had difficulty in accessing that course they should contact Matt Mott or Sukhjot Kaur. The TRP Public Sector Toolkit was seen as induction training and once completed Members should progress to other training. It was confirmed that further clarity would be included in the training strategy.

Resolved –

- 1. That the completion of The Pension Regulator Public Sector Toolkit online training, including the Scam module, by 31 March 2024 and the Hymans Robertson online Learning Academy Training upon its relaunch and to meet the expectations of TPR and the requirements defined by the Public Service Pensions Act 2013 be agreed.**
- 2. That it be noted that Members are encouraged to attend external training events provided by PLSA, LGA & Actuarial firms and that consideration should also be given to Local Pension Board Member**

representation at various national events such as the PLSA Conference and LGA Governance conference.

ACTION: Managing Director, West Yorkshire Pension Fund

32. THE PENSIONS REGULATOR (TPR) SUPERVISORY REPORT ACTION PLAN

The report of the Managing Director, West Yorkshire Pension Fund (**Document “V”**) provided Members with details of the supervisory engagement process and subsequent conclusions and recommendations.

The report revealed that whilst the opinion in TPR Supervisory Report was that the Fund was well managed and had good governance procedures; recommendations for improvement had been made in two areas. An action plan drafted to address those recommendations would be presented to TPR by the end of the year and a copy of that report was appended to the Document “V”.

It was questioned how good governance could be demonstrated and it was explained that this could, in part, be evidenced with Members undertaking TRP Tool Kit, conferences or webinar training and providing evidence of completion.

It was acknowledged it could be difficult to measure the performance of a non-decision making body. The Governance Review will hopefully consider such issues.

Resolved –

That the report be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

33. EXCLUSION OF THE PUBLIC

Members were asked to consider if the **Not for Publication** Appendix to **Document “W”**, containing the minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 27 July 2023, should be considered in the absence of the public and, if so, to approve the following recommendation:

Resolved –

That the public be excluded from the meeting during consideration of the Not for Publication Appendix to Document “W” containing the minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 27 July 2023 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

34. MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL MEETING HELD ON 27 JULY 2023

The report of the Managing Director, West Yorkshire Pension Fund (**Document “W” containing a Not For Publication Appendix**) was submitted to the Board and 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 the WYPF Investment Advisory Panel were presented to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Resolved –

That the Not for Publication minutes of the Investment Advisory Panel on 27 July 2023 appended to Document “W” be noted.

ACTION: Managing Director, West Yorkshire Pension Fund

35. EXCLUSION OF THE PUBLIC

Members were asked to consider if the verbal update on the WYPF’s governance Review should be considered in the absence of the public and, if so, to approve the following recommendation:

Resolved –

That the public be excluded from the meeting during the update on the Governance Review because information would be disclosed which was considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).

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

36. GOVERNANCE REVIEW UPDATE

The Managing Director, WYPF provided a verbal update on WYPF's Governance Review and introduced a representative of Muse Advisory who had been appointed to assist the review.

It was explained that the review would be examining all aspects of governance of the Pension Board; the Joint Advisory Group and the Investment Advisory Board and how those bodies interacted. It would include an insight into operational and behavioural effectiveness.

The review would utilise questionnaires, meeting observations, and discussions. It would not be possible to interview all members of those bodies, but a cross section of people would be consulted.

It was expected that a final report following completion of the review would be presented to the Governance and Audit Committee in Spring 2024.

No resolution was passed on this item.

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the West Yorkshire Pension Fund Pension Board.

THIS AGENDA AND ACCOMPANYING DOCUMENTS 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 23 November 2023

Z

Subject:

Follow up Letter on Audit Completion Report for 2021/22 for the West Yorkshire Pension Fund.

Summary statement:

This is a follow up letter on the Audit Completion Report (ACR) for 2021/22.

EQUALITY & DIVERSITY

Not applicable

Cameron Wardell
Partner
Mazars LLP
Report Contact: Abi Medic
Phone: 07881 283644
e-mail: abi.medic@mazars.co.uk

1. SUMMARY

The follow up letter outlines further audit work and progress made in concluding the 2021/22 audit. The original ACR was reported to the Governance and Audit Committee on 22 September 2022.

We will provide a verbal update on outstanding matters at the Governance and Audit Committee meeting on 23 November 2023.

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 SUSTAINABILITY IMPLICATIONS

Not applicable

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

Not applicable

7.3 COMMUNITY SAFETY IMPLICATIONS

Not applicable

7.4 HUMAN RIGHTS ACT

Not applicable

7.5 TRADE UNION

Not applicable

7.6 WARD IMPLICATIONS

Not applicable

**7.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS
(for reports to Area Committees only)**

Not applicable

7.8 IMPLICATIONS FOR CORPORATE PARENTING

Not applicable

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

Not applicable

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

Members of the Committee note the contents of the Audit Completion Report

11. APPENDICES

Follow-up Letter on WYPF Audit Completion Report 2021-22

12. BACKGROUND DOCUMENTS

WYPF Report and Accounts 2021/22

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 BC1 1HY

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10 November 2023

Dear Members

Follow-up Letter to our Audit Completion Report for West Yorkshire Pension Fund in relation to the 2021/22 audit

As required by International Standards on Auditing (UK), this letter communicates an update on progress on concluding upon those matters that were marked as outstanding in our Audit Completion Report, which was presented to the Governance and Audit Committee on 22 September 2022.

The outstanding matters identified and the current status of each are detailed below.

Matter	Conclusion reached
Related party transactions	We have now completed our work. As a result of our findings we have raised an internal control recommendation. The recommendation can be seen in Appendix B to the letter.
Level 3 investments	We have completed our work, while our work did not identify any additional matters to bring to your attention, the misstatements reported in our Audit Completion Report have been updated. Further details can be seen in the body of this letter below this table and also in Appendix A to this letter.
Level 2 investments	We have completed our work and have no matters to bring to your attention.
Employer contributions	We have completed our work and have no matters to bring to your attention.

Matter	Conclusion reached
Investment purchases and sales	We have completed our work and have no matters to bring to your attention.
IT General Controls	We have completed our work in respect of ITGCs and have provided conclusions on the follow up of the previous internal control recommendations. These can be seen in Appendix C.
Consistency opinion	Information within the Pension Fund Annual Report is consistent with the financial statements within Bradford Council's Statement of Accounts.
Audit review and quality control procedures	We have completed our work. Review procedures identified a number of adjustments to disclosure notes within the financial statements, the most significant of these are disclosed in appendix A to this letter.
Post balance sheet events	We will continue to review events after the balance sheet date up until we sign the audit report.

Change to previously reported adjusted and unadjusted misstatements to level 3 investments.

The value of adjusted misstatements reported in our Audit Completion Report (ACR) included an adjustment that had been identified by management. However, subsequently management opted not to post these adjustments, therefore the value of the adjusted misstatement has reduced, and the unadjusted misstatement increased. Appendix A to this letter presents both the misstatements originally reported and the updated misstatements in respect of level 3 investments.

Note 2 Actuary Report and Note 12 Actuarial present value of promised retirement benefits

The results of the triennial valuation for 31 March 2022 were released prior to the accounts being signed. The triennial valuation forms the basis of both Note 2 and Note 12 to the Pension Fund's financial statements and as a result the actuary provided the Fund with updated disclosures for these notes. The financial statements have been updated to reflect the revised statement from the actuary.

Please contact me if I can be of any further assistance.

Yours sincerely

Cameron Waddell

Partner

For and on behalf of Mazars LLP

Appendix A – Change in previously reports adjusted and unadjusted misstatements.

Previously reports in our Audit Completion Report:

Unadjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr Investment assets – pooled investment vehicles			9,980	
Cr: Profit and losses (-) on disposal and changes in value of investments		9,980		
Being the extrapolated difference of pooled investment vehicle assets between the valuation per the pension fund financial statements and third-party confirmations. (Based on an actual understatement of £9,825k.				
Total unadjusted misstatements		9,980	9,980	

Adjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1 Dr Investment assets - pooled investment vehicles			85,646	
Cr Profit and losses (-) on disposal and changes in value of investments		85,646		
Dr Profit and losses (-) on disposal and changes in value of investments	925			
Cr Investment assets - equities				925
Being changes in market value arising from more up to date information being available in respect of level 3 equities and pooled investment vehicles.				
Total adjusted misstatements	925	85,646	85,646	925

Updated unadjusted and adjusted misstatements:

Unadjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr Investment assets – pooled investment vehicles			9,980	
Cr Profit and losses (-) on disposal and changes in value of investments		9,980		
Being the extrapolated difference of pooled investment vehicle assets between the valuation per the pension fund financial statements and third-party confirmations. (Based on an actual understatement of £9,825k.				
2 Dr Investment assets – pooled investment vehicles		12,483		
Cr Profit and losses (-) on disposal and changes in value of investments			12,483	
Being the understatement of investments identified by management arising due to timing differences in the valuation information available but which management did not process through the investment system				
Total unadjusted misstatements		22,463	22,463	

Adjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr Investment assets - pooled investment vehicles			73,163	
Cr Profit and losses (-) on disposal and changes in value of investments		73,163		
Dr Profit and losses (-) on disposal and changes in value of investments	113			
Cr Investment assets - equities				113
Being changes in market value arising from more up to date information being available in respect of level 3 equities and pooled investment vehicles.				
Total adjusted misstatements	113	73,163	73,163	113

Disclosure amendments

As a result of the amendment to reclassify asset types, several disclosure amendments have been required. The following notes have required amendment:

Note 11 Additional Voluntary Contributions (AVCs) – At the time of preparing the draft financial statements Prudential had not notified the pension fund of the value of AVCs. This information became available later in the year and therefore Note 11 has been updated to include the AVC's from Prudential.

Note 15 Investment Income –

Note 17a Movement in the value of investments in 2021-22 – the values of purchase costs, sales proceeds, change in market value and closing value at 31 March 2021 have been updated. This is in part as a result of adjusted misstatements in the value of level 3 investments however also arose as the disclosures made in the draft accounts did not reconcile fully to the data from ICON (the Pension Funds investment asset system).

Note 18 Sensitivity of assets valued at level 3 - prior year comparators – the prior year comparator for Note 18 has been updated to correct an error in the assessed valuation range percentages that are used.

In addition, there were several other minor amendments made to disclosures in the financial statements to improve the quality and readability.

Appendix B Internal control recommendations

Description of deficiency

For one Councillor that had been a member of the Joint Advisory Group we were not able to see a copy of their declaration of interest form, the Councillor was not a Bradford Councillor and had lost their seat in the May 2022 elections. We were also unable to obtain up to date declaration forms for two Councillors that were members of Governance and Audit Committee in year.

Potential effects

There is a risk of the Pension Fund entering into transactions with related parties without knowledge.

Recommendation

Declaration forms be obtained for all members including those who do not sit on City of Bradford MDC.

Management response

We will issue declaration forms to all committee members (we are in the process of updating it) by the end of the month (November 2023).

Appendix C Follow up on previous control recommendations

Description of deficiency

Information Technology (IT) policies do not adhere to best practice for example in relation to the creation of new user accounts, access rights, password parameters, segregation of duties between development and operations, backup procedures, the incident management process and levels of escalation .

Potential effects

Users are not aware of the process to follow and may make errors which reduce the security of the Council's systems.

Recommendation

The Council should review existing IT policies to ensure they are in line with best practice and address the deficiencies highlighted above

2021/22 update

Our work did not identify the same occurrence in 2020/21.

Description of deficiency

IT user access testing in 2020/21 found that:

- For a sample of 25 joiners/movers one mover had no record of a change in access being requested and for 16 no evidence was provided.
- Of 663 leavers in year 3 were found to have accounts that had not been deactivated, however it was noted that for all 3 users they only had Employee Self Service access (ESS) which only allows them to view payslips and request annual leave.

Similar findings were also recorded in 2018/19 and 2019/20.

Potential effects

Inappropriate access to business critical systems by an individual that has just joined the organisation or an individual that has left the organisation.

Recommendation

IT should perform and document scheduled periodic access reviews of business critical systems to ensure appropriate access / deactivation.

2021/22 update

In 2021/22 we did not test operating effectiveness of these controls however we did complete a walkthrough test to confirm design and implementation. Our walkthrough test did not highlight any issues to bring to your attention.

Description of deficiency

Password parameters set within the Council's systems (AIM, Northgate, SAP, UPM) do not align with the Council's password policy.

Potential effects

Passwords are not sufficiently complex reducing the level of access security of critical business systems.

Recommendation

The Council should ensure that the password parameters for the critical business systems highlighted above reflect the Council's password policy.

2021/22 update

Our work did not identify the same occurrence in 2020/21.



Report of External Audit to the meeting of the Governance and Audit Committee to be held on 23 November 2023

AA

Subject:

Audit Completion Report 2022/23 for the West Yorkshire Pension Fund.

Summary statement:

The Audit Completion Report (ACR) summarises our audit conclusions.

EQUALITY & DIVERSITY

Not applicable

Alastair Newall
Partner
Mazars LLP
Report Contact: Abi Medic
Phone: 07881 283644
e-mail: abi.medic@mazars.co.uk

1. SUMMARY

The report outlines the findings from our work on the Pension Fund's financial statements.

At the time of issuing the report our work remains in progress. Subject to satisfactory completion of the outstanding work and based on the areas of work completed to date, we anticipate issuing an unqualified opinion on the Pension Fund financial statements.

We will provide a verbal update on outstanding matters at the Governance and Audit Committee meeting on 23 November 2023.

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 SUSTAINABILITY IMPLICATIONS

Not applicable

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

Not applicable

7.3 COMMUNITY SAFETY IMPLICATIONS

Not applicable

7.4 HUMAN RIGHTS ACT

Not applicable

7.5 TRADE UNION

Not applicable

7.6 WARD IMPLICATIONS

Not applicable

**7.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS
(for reports to Area Committees only)**

Not applicable

7.8 IMPLICATIONS FOR CORPORATE PARENTING

Not applicable

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

Not applicable

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

Members of the Committee note the contents of the Audit Completion Report

11. APPENDICES

WYPF Audit Completion Report 2022-23

12. BACKGROUND DOCUMENTS

WYPF Report and Accounts 2022/23

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Audit Completion Report

West Yorkshire Pension Fund – Year
ended 31 March 2023

November 2023

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[Appendix A: Draft management representation letter](#)

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Members of the Governance and Audit Committee

City of Bradford Metropolitan District Council
City Hall
Centenary Square
Bradford
BC1 1HY

November 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in March 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986776.

Yours faithfully



Alastair Newall

Mazars LLP

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and
- Valuation of investments within level 3 of the fair value hierarchy.

Misstatement and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £8.8m.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Consistency report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of City of Bradford Metropolitan District Council. Our draft consistency report is provided in Appendix C.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Cash deposits		We are awaiting 3 out a sample of 4 third party confirmations in respect of our testing of cash deposits.
Notes to the accounts		We are finalising our work in respect to non-material notes included in the financial statements.
IT controls audit work		We are waiting for the ITGC work to be completed on the City of Bradford Metropolitan District Council audit in respect of SAP, the general ledger system.
Consistency statement		We have not yet received the Pension Fund's Annual Report to allow us to complete our comparison of the revised Pension Fund financial statements (within the Statement of Accounts of the Council) with the revised Pension Fund financial statements within the Pension Fund's Annual Report.
Signed financial statements and letter of representation		Receipt of the signed financial statements and signed letter of representation.
Audit review and quality control procedures		Completion of Manager, Partner and EQCR review and Mazars quality control processes in respect of the audit.
Post balance sheet events		Review of post balance sheet events up to the point at which we sign our audit report



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



Not considered likely to result in material adjustment or change to disclosures within the financial statements.

We will provide Governance and Audit Committee with an update in relation to the outstanding matters in a follow up letter, prior to signing the auditor's report.

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £179m using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £60.6m at the planning stage of the audit using a benchmark of 10% of benefits payable.

No changes to the materiality levels set at the planning stage have been made.

Use of experts

We have not made any changes to our planned approach in relation to the use of experts.

Item of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits.	Aon Hewitt	NAO consulting actuary PWC
Valuation of investments within level 3 of the fair value hierarchy and related disclosures	Investment managers engaged by the Fund that prepare valuations	We did not need to engage our own expert.

Service organisations

We have not changed the planned approach in relation to service organisations.

Items of account	Service organisation	Audit approach
Accounts disclosure not – value of stock lending and collateral.	Custodian	Third party confirmation of the value sought from the Custodian. Controls report obtained and reviewed.

04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit

Management override of controls	Description of the risk
	<p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	How we addressed this risk
	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion
	<p>The work is completed and we have no matters to bring to your attention in this respect.</p>

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4. Significant findings

Valuation of investments within level 3 of the fair value hierarchy

Description of the risk

As at 31 March 2023 the fair value of investments classified within level 3 of the fair value hierarchy was £3,389m, which accounted for 18.9% of net investment assets. The values included in the accounts are those provided by investment managers updated by the Pension Fund for cash movements, where the most recently available information from fund managers is at a date prior to the year end.

Level 3 assets are those assets whose value is based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at level 1 and 2.

How we addressed this risk

We addressed this risk by completing the following procedures:

- obtained an understanding of the skills, experience and qualifications of any external valuers used by the Pension Fund;
- obtained an understanding of the basis of valuation applied in the year, and reviewing the valuation methodologies;
- agreed a sample of valuations to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;
- reviewed management's reconciliation of fund manager reports to the custodian's report; and
- agreed a sample of valuations to audited accounts or other independent supporting documentation and considering the impact of any modified audit reports on those audited accounts.

Audit conclusion

Our work in respect of level 3 investments identified that investment values were understated by £20.3m, arising from more up to date valuation information being available at the time of audit. The financial statements have been amended in this respect. In addition, £6m of level 3 investments have been reclassified as level 1. Full details of the adjustments made can be seen in section 6 to this report.

4. Significant findings

Qualitative aspects of the Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

Draft accounts and supporting working papers were received from the Fund on 12 July and were of a good quality. The pension fund have provided supporting evidence in a timely manner.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

Level 3 investment valuations – In July we wrote to fund managers to obtain direct confirmation of the values of investments as at 31 March 2023. The financial statement values were produced as at 7 July. The timing of our requests meant that for some investment assets we were able to obtain more up to date information than was used to prepare the financial statements. The financial statements have been amended for the updated information, the adjustments made can be seen in section 6 of this report.

Significant difficulties during the audit

During the course of the audit we did encounter significant difficulties in obtaining direct confirmations of cash deposits. For a sample of four cash deposit balances only two confirmation has been received at the point of issuing this report. For two of these there has been a delay in the authorisation being provided by the Pension Fund to the third party.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law;
- make an application for judicial review; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

05

Section 05: **Internal control recommendations**

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Governance and Audit Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

Our review of the bank reconciliation identified that in its current format there is a risk that reconciling items are missed. The bank reconciliation at present covers more than one bank account and does not group together ledger balances for those accounts. The ledger includes a number of codes to record cash at bank transactions, one for the bank statement balance, and others for reconciling items. It does not reconcile all cash at bank ledger codes to the bank statement, instead only the bank statement balance ledger code is reconciled to the bank statement and other reconciling items are supported by detailed transaction reports. This makes it unclear what items are being reconciled.

Potential effects

There is a risk that reconciling items are not identified and that the cash at bank balance is misstated.

Recommendation

The Fund should update the presentation of the bank reconciliation to ensure it reconciles the cash balances in the ledger to the bank statement balance and clearly identifies all reconciling items.

Management response

We will review and update the presentation of the bank reconciliation to ensure it reconciles the cash balances in the ledger to the bank statement balance and clearly identifies all reconciling items.

Follow up on previous internal control points

Description of deficiency

For one Councillor that had been a member of the Joint Advisory Group we were not able to see a copy of their declaration of interest form, the Councillor was not a Bradford Councillor and had lost their seat in the May 2022 elections. We were also unable to obtain up to date declaration forms for two Councillors that were members of Governance and Audit Committee in year.

Potential effects

There is a risk of the Pension Fund entering into transactions with related parties without knowledge.

Recommendation

Declaration forms be obtained for all members including those who do not sit on City of Bradford MDC.

2022/23 update

Our work in 2022/23 has identified two instances where Councillors, who were not Bradford Councillors, had not completed recent declarations, declarations dated back to 2021.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £5.37m. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Fund Account		Net Assets Statement	
		Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Dr: Investment Assets – Bonds			8.8	
	Cr: Profit and (losses) on disposal of and changes in value of investments		8.8		
<p>Our testing identified an understatement in the value of Bonds of £291k because the market value used in the financial statement valuation was incorrect. As the error was identified from a sample test, applying our audit approach required us to extrapolate the error over the remaining untested population. The extrapolated error is £8.8m.</p>					
Total unadjusted misstatements			8.8	8.8	

6. Summary of misstatements

Adjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1			19.6	
	Dr: Investment assets – Pooled investment vehicles			
	Dr: Investment assets – Equities		0.7	
	Cr: Profit and (losses) on disposal of and changes in value of investments	20.3		
	Being the understatement in investments identified in our testing of level 3 investments., arising due to more up to date information being available at the time of audit.			
	Total adjusted misstatements	20.3	20.3	

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- Note 4 Critical judgements and estimations in applying accounting policies – the disclosure has been updated to ensure compliance with the Code. The Note now separates judgements and estimates and includes details of the carrying values for estimates.
- Note 18 Fair Value – Basis of valuation – the basis of valuation has been updated to ensure it is more consistent across classes of investments. The Valuation hierarchy table has been updated to reflect the adjusted misstatements detailed above and £6m of investments have been reclassified from level 3 to level 1.
- Note 23c Interest rate risk – the assumed volatility in interest rates has been increased from 100 basis points (BPS) per annum to 210 BPS to reflect recent conditions. The sensitivity analysis has been recalculated using the revised BPS.
- Note 23d Currency risk – the volatility associated with foreign exchange rate movements has been reduced from 6% to 3%. The rate of 6% had been used for several years and following a reassessment of historical data the volatility has been judged to have reduced. The sensitivity analysis has been recalculated using the revised percentage.

In addition to the above, we identified a small number of minor presentational issues during the audit of the financial statements, and these have been amended by management.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Draft consistency report

D: Independence

E: Other communications

Appendix A: Draft management representation letter

Alastair Newall
Mazars
One St Peter's Square
Manchester
M2 3DE

Dear Alastair

West Yorkshire Pension Fund - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of the West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and IT that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am

aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

Appendix A: Draft letter of management representation

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance & IT for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

all knowledge of fraud or suspected fraud affecting the Pension Fund involving:

- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Assets

I confirm that all assets held are free from liens, charges or any other encumbrance.

Related party transactions

I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Specific representation on unquoted investments

Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

Specific representations on other matters

I confirm that I have assessed the impact of the Covid 19 virus pandemic on the Pension Fund and the financial statements, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.

I confirm that I have assessed the potential impact of Russian Forces entering Ukraine on the Trust, including the impact of mitigating measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.

I confirm that I have assessed the impact on the Pension Fund, of the on-going Global Banking challenges, whether there is any impacts on the Pension Fund's ability to continue as a going concern, and on the post balance sheet events disclosures. I confirm that our exposure (either direct cash exposure or direct/indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Appendix A: Draft letter of management representation

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report and subsequent follow up letters are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Director of Finance & IT

Appendix B: Draft audit report

Independent auditor's report to the members of City of Bradford Metropolitan District Council

Report on the audit of the financial statements

Opinion on the financial statements of West Yorkshire Pension Fund

We have audited the financial statements of West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2023, which comprise the Fund Account for the year ended 31 March 2023, the Net Assets Statement at 31 March 2023, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and IT's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and IT with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance and IT is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance and IT for the financial statements

As explained more fully in the City of Bradford Metropolitan District Council's Statement of Responsibilities, the Director of Finance and IT is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Director of Finance and IT is also responsible for such internal control as the Director of Finance and IT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and IT is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance and IT is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Appendix B: Draft audit report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Governance and Audit Committee, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

We evaluated the Director of Finance and IT's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance and Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing, testing of accounting estimates and testing any unusual transactions.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance and Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and IT's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Appendix B: Draft audit report

Use of the audit report

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body and as administering authority for the West Yorkshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Alastair Newall Key Audit Partner
For and on behalf of Mazars LLP

One St Peter's Square
Manchester
M2 3DE

Date to be added

Appendix C: Draft consistency report

Independent auditor's statement to the members of City of Bradford Metropolitan District Council on the pension fund financial statements included within the West Yorkshire Pension Fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2023 included within the West Yorkshire Pension Fund annual report, which comprise the Fund Account for the year ended 31 March 2023, the Net Assets Statement at 31 March 2023 and the notes to the financial statements, including the summary of significant accounting policies.

Opinion

In our opinion, the Pension Fund financial statements included in the West Yorkshire Pension Fund annual report are consistent with the audited financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Respective responsibilities of the Director of Finance and IT and the auditor

As explained more fully in the City of Bradford Metropolitan District Council's Statement of Responsibilities, the Director of Finance and IT is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of City of Bradford Metropolitan District Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of City of Bradford Metropolitan District Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of City of Bradford Metropolitan District Council describes the basis of our opinions on the financial statements.

Use of this auditor's statement

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body and as administering authority for the West Yorkshire Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members

of City of Bradford Metropolitan District Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than City of Bradford Metropolitan District Council and City of Bradford Metropolitan District Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Alastair Newall, Key Audit Partner

for and on behalf of Mazars LLP

One St Peter's Square

Manchester

M2 3DE

Date to be added

Appendix D: Independence



As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix E: Other communications

Other communication	Response
 Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 External confirmations	<p>We have experienced delays in the receipt of third-party confirmations in respect of cash deposits. Two out of a sample of four have not been received at the point of issuing this report. There has been a delay in the authorisation being provided by the Pension Fund to the third party.</p>
 Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 Going concern	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and IT that West Yorkshire Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix E: Other communications

Other communication	Response
 <p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
 <p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Governance and Audit Committee, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Alastair Newall, Director and Engagement Lead

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Report of the Managing Director West Yorkshire Pension Fund to the meeting of Governance & Audit Committee to be held on 23 November 2023

AB

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Investment Advisory Panel held on 26 October 2023.

Summary statement:

The Council's Financial Regulations require the minutes of meeting of the WYPF Investment Advisory Panel to be submitted to this committee.

Euan Miller
Managing Director
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Portfolio:
Leader
Overview & Scrutiny Area:
Corporate

1. SUMMARY

- The Council's Financial Regulations require the minutes of meeting of the WYPF Investment Advisory Panel to be submitted to this committee.

2. NOT FOR PUBLICATION DOCUMENTS

- Minutes of the Investment Advisory Panel 26 October 2023

3. APPENDICES

- NFP Minutes of the Investment Advisory Panel 26 October 2023