

Corporate Governance and Audit Committee

Friday, 18th March, 2016

PRESENT: Councillor G Hussain in the Chair
Councillors P Grahame, J Bentley,
P Harrand, N Dawson, A Sobel,
J Illingworth, G Hyde and Flynn (Substitute
for R Wood)

Apologies Councillors R Wood and K Bruce

62 Appeals Against Refusal of Inspection of Documents

There were no appeals against the refusal of inspection of documents.

63 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

64 Late Items

There were no late items submitted for consideration.

65 Declaration of Disclosable Pecuniary and Other Interests'

No declarations were made.

66 Apologies For Absence

Apologies for absence were received from Councillors R Wood and K Bruce.
In attendance as substitute for Councillor Wood was Councillor B Flynn.

67 Minutes - 28th January 2016

RESOLVED – The minutes of the meeting held on 28th January were approved as a correct record.

68 Matters Arising

Minutes No. 52 KPMG Annual Audit Letter 2014/15

The Head of Governance Services confirmed that an update position on the Collection Fund had been circulated to Members.

Final minutes approved as a correct record at the meeting
held on 24th June 2016

Minute No. 55 Report on the recent customer relations issues and trends 2015-16

The Head of Governance Services informed Members that the Scrutiny Board (Strategy and Resources) will receive the Internal Audit Report on Customer Contact and Satisfaction when it is undertaken. Furthermore that the views of the Committee had been relayed to the Chief Officer (Customer Access).

Minute No. 59 Internal Audit Update Report 1st August to 31st December 2015

In relation to information on actual savings made through the Early Leavers Initiative against the anticipated savings, Members were informed that this formed part of the Internal Audit Update Report 1st January to 29th February 2016.

69 KPMG Full Audit Plan 2015/16

The Deputy Chief Executive submitted a report which informed members of KPMG's full audit plan for the audit of the Council's accounts and value for money arrangements. The attached report from KPMG highlighted the risk based approach to the audit and the main risks they have identified for 2015/16.

Andy Smith (Senior Audit Manager) and Rob Walker (Audit Manager) were also in attendance to answer any questions from Members.

Andy Smith explained to Members what KPMG considered a "material" amount in terms of qualifying the accounts and reporting to Council finance officers.

Members discussed with KPMG staff the 'Materiality' level that would trigger KPMG to report an issue to LCC Finance officers and subsequently result in an adjustment to the accounts.

Mr Smith confirmed that;

£20m is the level at which the accounts would be qualified (as they would not represent a true and fair view) if adjustments were not made, and;
£600k is the level at which a request for an adjustment would be made by KPMG to the council and at which those details are drawn to the committee's attention.

Mr Smith confirmed that adjustments below £600k would not be notified to the committee but that officers would be advised of any such instances.

The Principal Finance Manager informed the committee of the council's approach to materiality in making adjustments to the final accounts. Where it was agreed with KPMG that there was an error, any amounts over £1m would always be adjusted for by the council. Any error identified in the accounts

between £250k and £1m would be considered for amendment, depending on the significance of its impact on the financial statements.

Members discussed the significant audit risks featured in KPMG's Plan. Mr Smith assured the committee that these risks were generic for most local authorities and were not as a result of specific concerns in relation to Leeds. In answer to a query concerning the valuation of property, plant and equipment Mr Smith confirmed that he had no specific concerns around the reliability of the in-house valuer.

Mr Smith confirmed that the current level of council reserves would be reviewed within the context of the council's medium term financial plan.

RESOLVED – The Committee resolved to note and agree the nature and scope of the audit plan presented by KPMG.

70 Internal Audit Plan 2016-17

The Acting Head of Internal Audit presented a report of the Deputy Chief Executive which presented the proposed Internal Audit Plan for 2016-17 to the Corporate Governance and Audit Committee for review and approval. This report also included a summary of the basis for the plan. The plan has been developed in consultation with senior management including the Chief Officer (Financial Services) and the Deputy Chief Executive.

Members sought assurance that off contract spend would continue to be reviewed and addressed by Internal Audit.

In light of a reduction in audit days Members sought confirmation from Mr Smith that KPMG would still be able to place reliance on Internal Audit's work. Mr Smith confirmed that, in relation to KPMG's responsibilities for auditing the accounts, the planned Internal Audit coverage of the key financial systems still remained comparatively high and that they are happy to place reliance upon that work.

The Committee sought assurance that despite the reduction in the amount of audit days available that Internal Audit would still be able to deliver evidence based opinion. The Chief Officer (Audit and Investment) confirmed to Members that there were sufficient days in the audit plan to provide such an opinion.

RESOLVED – The Committee resolved to approve the proposed Internal Audit Plan for 2016-17.

71 Internal Audit Update Report 1st January to 29th February 2016

The Acting Head of Internal Audit presented a report of the Deputy Chief Executive which provided a summary of internal audit activity for the period 1st January to 29th February 2016 and highlighted the incidence of any significant control failings or weaknesses.

The Chief Officer (Audit and Investment) explained the quality assurance improvement programme that Internal Audit is subject to and that every 5th year external assessment is undertaken to ensure the service is compliant with Public Sector Internal Audit Standards. A peer review with colleagues in core cities is to take place and as such the Committee's input was requested with regards to agreeing and approving the terms of reference for this review.

In relation to the risk based audit of Taxi and Private Hire Licensing the Acting Head of Internal Audit confirmed that their follow up review will specifically seek to validate that the operation of arrangements to ensure that no licensed driver can operate without an up-to-date DBS check being in place.

Members queried the arrangements that are in place to prevent circumstances arising where officers who have left or are in the process of leaving the employment of the council are restricted from being involved in procurement or commissioning activity which may inappropriately benefit their future employer or them personally. The Acting Head of Internal Audit confirmed that there were no specific audit tests on that matter but that any specific concerns would be investigated under the council's whistleblowing procedures.

Members asked that further enquiries be made of the Chief Officer (HR) on this issue.

RESOLVED – The Committee resolved to:

- (a) Note the Internal Audit Update Report covering the period from 1st January to 29th February 2016 and the assurances provided in respect of follow up work;
- (b) Request the Chief Officer (Audit and Investment) submit the terms of reference for conducting a review of Internal Audit to the Committee for comment and approval; and
- (c) Members asked that further enquiries be made of the Chief Officer (HR) concerning the controls in place to ensure that officers are not involved in procurement or commissioning activity which may inappropriately benefit a future employer or them personally.

72 Annual Business Continuity Report

The Principal Officer Resilience & Emergencies presented a report of the Deputy Chief Executive which provided assurance to the Corporate Governance & Audit Committee of the adequacy of the business continuity management arrangements currently in place. The scope of the report included:

- Maintenance of Business Continuity Plans (Annual Management Review) Directorate Resilience Groups;
- The impact of Storm Eva on LCC's most critical services;
- Commissioned service provider assessments Provision of advice and assistance to business and voluntary sector;
- Public awareness and warning and informing Exercising; and
- To provide assurance that LCC maintains compliance with the statutory duties contained within the Civil Contingencies Act 2004.

The Principal Officer Resilience & Emergencies assured the committee that directorates had completed their own review of commissioned service providers business continuity plans.

Members discussed the procedures in place for evacuating Civic Hall in the event of a terrorist attack or bomb scare.

Members felt that business continuity plans had been effectively put into practice during Storm Eva and that this should be highlighted to directorates to promote the fact that business continuity plans are meaningful documents.

RESOLVED – The Committee resolved to note that the business continuity arrangements are fit for purpose, up to date, are routinely complied with, have been effectively communicated and are monitored.

73 Annual Information Governance Report

The Executive Officer Information Governance presented a report of the Deputy Chief Executive which provided the Committee with an annual report on the steps being taken to improve Leeds City Council's information governance in order to provide assurance for the annual governance statement.

The Information Governance Manager was also in attendance to help answer Members' questions.

Members discussed cyber-attacks, how these occur and the lessons learned from the attack that Lincolnshire County Council suffered.

Members suggested the possibility of conducting a mock cyber-attack at the Council.

The Committee also highlighted problems with spam email and suggested ways in which this could be better reported to ICT.

Members asked questions about the work being done to index old records to ensure that these are not lost. The Executive Officer Information Governance confirmed that programme of work was on-going to catalogue and manage paper and electronic records.

Discussion took place about the INSPIRE European directive which aims to improve the sharing of spatial data between public authorities. Members asked about the possible sanctions if this work was not completed and the type of skills required to ensure the Council complies with the requirements of the directive.

RESOLVED – The Committee resolved to:

- (a) note the contents of this report and the assurance provided as to the Council's approach to information governance;
- (b) Request that the Executive Officer Information Governance ensure that Corporate Leadership Team be advised of the consequences of not complying with the INSPIRE European Directive and of the resources and skills required to ensure compliance; and
- (c) Request The Executive Officer Information Governance conveys the committees views regarding cyber-resilience to the relevant forum.

74 Review of Financial Governance and Control Arrangements for Partnerships

The Head of Corporate Finance presented a report of the Deputy Chief Executive which provided an update to the Committee on work undertaken to identify and review joint-working arrangements with other organisations and to ensure that appropriate financial governance and control arrangements are in place.

The Senior Financial Manager (Strategy and Resources) was also in attendance to answer Members' questions.

Members discussed the roles and responsibilities played by the authority in relation to unincorporated charities where there was no Leeds City Council trustee sitting on the management board. It was confirmed that there was no financial liability

Members noted that a number of Toolkits had been developed to ensure compliance with financial regulations. The Committee sought confirmation from the Head of Corporate Finance that training would be given on these toolkits to ensure they were embedded and complied with by staff in all directorates.

RESOLVED – The Committee resolved to note the assurances provided that the appropriate financial governance and control arrangements are in place and meet expected standards.

75 Work Programme

The City Solicitor submitted a report which notified Members of the draft work programme for the 2016/17 year.

Members noted and provisionally agreed the 2016/17 meeting dates for the Committee.

RESOLVED – The Committee resolved to:

- (a) Note the contents of the report; and
- (b) Provisionally agree the meeting dates for the Committee in the 2016/17 municipal year as detailed within Appendix 1 of the submitted report.

76 Date and Time of Next Meeting

24th June 2017