

Corporate Governance and Audit Committee

Thursday, 28th January, 2016

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

Apologies Councillors N Dawson

44 Councillor Hyde

The Chair welcomed Councillor G Hyde as a new Member of the Committee.

45 Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

46 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

47 Late Items

There were no late items submitted to the agenda for consideration.

48 Declaration of Disclosable Pecuniary and Other Interests'

No declarations were made.

49 Apologies for Absence

Apologies for absence were received from Councillor N Dawson. Councillor K Groves was in attendance as substitute.

50 Minutes - 18th September 2015

RESOLVED – That the minutes of the meeting held on 18th September 2015 be approved as a correct record.

51 Matters Arising

Minute No. 34 Matters Arising From The Minutes

It was confirmed to Members that the Head of Internal Audit had circulated further information relating to Purchasing Cards. Following this Cllr Harrand had submitted supplementary questions requesting more detail with regards to purchasing cards. The questions had been circulated to all Members of the Committee and were addressed by the Head of Internal Audit as follows:

1. With regards to cash withdrawals it was confirmed that that during 2014/15 there were 4 withdrawals made totalling £1,100, The withdrawals were made by International Relations and Schools. So far during 2015/16 there has been 6 withdrawals totalling £1,500 made by one school, International Relations and Adult Social Care hub;
2. In terms of not always being able to confirm that value for money had been achieved, it was explained that this was due to not having evidence of competition which makes value for money hard to assess;
3. It was confirmed that there was a zero tolerance approach to fraud and where it is detected it is always referred to the Police; and
4. The Head of Internal Audit confirmed that two out of eight schools audited, the appropriateness of expenditure could have been challenged.

Minute No 40. Annual Business Continuity Report: Phase 2 Progress Update

The Head of Governance Services confirmed that following the recent Boxing Day floods and the questions raised by Cllr Bentley about the effectiveness of the Business Continuity Plans to the Chair, March's Annual Business Continuity Report will detail how the plans operated during the floods.

The Head of Governance Services also confirmed that all outstanding actions from the minutes of the meeting held on 18th September 2015 had been completed.

52 KPMG Annual Audit Letter 2014/15

The Principal Finance Manager presented a report of the Deputy Chief Executive which provided a summary of the key external audit findings in respect of the 2014/15 financial year. KPMG's letter was attached at Appendix 1 of the submitted report.

Rob Walker (Audit Manager) of KPMG was in attendance to answer Members' questions.

Members discussed the reduction in the general reserve fund and the risks that this posed to the Council with the Head of Corporate Finance and the KPMG representative. It was considered that although reducing the general reserve fund was a risk (which had arisen due to the reduction in Council

funding), the risk was mitigated by having a credible plan in place to manage the risk.

The Committee noted that KPMG's fees had reduced by 25% and wished to establish whether this would alter the scope of the audit conducted. The KPMG representative confirmed that the scope would not alter and that the reduction of the fee was due to the abolition of the Audit Commission which previously received a "top slice" of the audit fee.

Members requested finance officers to provide an up-to-date position on the Collection Fund.

RESOLVED – The Committee resolved to:

- (a) note the conclusions and recommendations arising from the 2014/15 external audit process; and
- (b) Provide the Committee with an up to date position on the Collection Fund.

53 KPMG Certification of Grants Report 2014/15

The Principal Finance Manager presented a report of the Deputy Chief Executive which informed members on the result of the work of auditors in respect of work carried out on the certification of grant claims in 2014/15.

Rob Walker (Audit Manager) of KPMG was in attendance to answer Members' questions.

Members sought confirmation as to which firms had tendered for audit work in relation to grants and whether KPMG had tendered for this work. Members were informed of the companies who had won the tenders and it was confirmed that KPMG had tendered for the work also.

RESOLVED – The Committee resolved to note the conclusions and recommendations arising from their 2014/15 audit work.

54 KPMG Summary External Audit Plan 2015/16

The Principal Finance Manager presented a report of the Deputy Chief Executive which informed members of progress in KPMG's audit planning for the audit of the Council's accounts and Value for Money arrangements. The report attached at Appendix 1 from KPMG highlighted the main risks they have identified for 2015/16.

The report also informed members of the audit scale fees applicable to Leeds for 2015/16 and the proposal for 2016/17.

Rob Walker (Audit Manager) of KPMG was in attendance to answer Members' questions.

Members noted the guidance attached to the submitted report which would be used to form the basis of the External Audit Plan 2015/16 and which would be presented to the committee in March 2016.

RESOLVED - The Committee resolved to note the contents of KPMG's report.

55 KPMG Technical Update Report

The Principal Finance Manager presented a report of The Deputy Chief Executive which introduced a report from KPMG which provided Members with information on several major issues affecting local authorities in general.

Rob Walker (Audit Manager) of KPMG was in attendance to answer Members' questions.

In discussion the Head of Corporate Finance confirmed that issues identified by KPMG are reviewed by finance staff and where new or significant matters are brought to the council's attention these are acted upon.

RESOLVED – That the contents of the report be noted.

56 Report on the recent customer relations issues and trends 2015-16

The Executive Officer Customer/Client relations presented a report of the Chief Officer (Customer Access) which provided an update to the Committee about the Council's complaints and ombudsman cases for the period 1 January 2015 to 31 December 2015. The report being requested by the committee following the annual assurance report for 2014-15 that was discussed at the September 2015 meeting. The report also assessed the overall effectiveness of the council's approach to compliments, complaints and feedback.

The Executive Officer Customer Relations and representatives from directorates were in attendance to answer Members' questions.

Members discussed the outcome of Ombudsman complaints which had generated a financial settlement and where this featured within each department's budget.

Members commented that despite the Council having a 'no wrong door' 'tell us once' approach there appeared to be a number of "silos" and that it was difficult for customers to access the Council with a specific complaint or service request.

Members were concerned to learn from Officers that mistakes in handling customer contact was considered to be inevitable due to the high turnover of staff within the contact centre. The committee also considered whether further more detailed consideration was needed of the effectiveness of the customer contact arrangements, with a particular focus on whether staff have the sufficient knowledge and expertise to fulfil this important role.

Members commented that all contact received by the Council should be capable of being captured and managed consistently across the organisation.

The Committee also discussed methods by which feedback on customer satisfaction can be gathered and that further consideration be given to a simpler method by which this information can be collated.

The committee concluded that future annual assurance reports be presented with a broader scope and include the breadth of contact made to the Council and overall satisfaction of the public with council services.

RESOLVED – The Committee resolved to:

- (a) receive that the report and supporting information provided and the extent of assurances provided;
- (b) Request that the relevant Scrutiny Board consider the issues raised; and
- (c) Request that future annual assurance reports include the wider arrangements for customer contact and satisfaction with Council services.

57 Changes to the statutory timescales for approving the accounts and future arrangements for appointing external auditors

The Principal Finance Manager presented a report of The Deputy Chief Executive which informed members of changes to the statutory timescales for approving the accounts which will come into force for the 2017/18 accounts, changes affecting the public inspection period for the accounts which have come into force for the 2015/16 accounts, and to update members on the latest developments.

Members considered that the Council may require independent advice when appointing an External Auditor, and that before any appointment was made consideration would need to be given to the LGA's proposed national scheme for audit appointments. Members noted that jointly procuring the council's auditors on a West Yorkshire or Leeds City Region basis could be an option

RESOLVED – The Committee resolved to:

- (a) Note the changes to the public inspection arrangements for the 2015/16 accounts, and the reduced statutory timescales for producing the accounts from 2017/18 onwards;

- (b) Note the latest position on the new arrangements for appointing external auditors, and that these are not expected to come into force until the 2018/19 accounts process; and
- (c) Receive and note the report from KPMG giving their views on the future appointment of external auditors.

58 Treasury Management Governance Report 2015

The Principal Finance Manager (Treasury Management) presented a report of The Chief Officer Financial Services which outlined the governance framework for the management of the Council's TM function. This report also reviewed compliance with updated CIPFA guidance notes for practitioners on the Prudential Code for Capital Finance in Local Authorities issued in 2011.

Members requested that the average interest rate on loans paid by other comparable cities to Leeds be circulated to the Committee.

Following discussion Members were assured that externally Leeds was viewed as both a good place to lend money to and to borrow from.

RESOLVED – The Committee resolved to;

- (a) Note that Treasury Management continues to adhere to its governance framework including the CIPFA Code of Practice, the Prudential Code and revised CIPFA guidance notes issued in 2013. All borrowing and investments undertaken have been compliant with the governance framework; and
- (b) request that the average interest rate on loans paid by other comparable cities to Leeds be circulated.

59 Internal Audit Update Report 1st August to 31st December 2015

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 August to 31st December 2015 and highlighted the incidence of any significant control failings or weaknesses.

Members received assurance from the Acting Head of Internal Audit that the audit opinion in relation to the Leeds Grand Theatre were correct and in line with the definitions of assurance detailed at page 193 of the submitted report. The Acting Head of Internal Audit also updated the committee on the Leeds Grand Theatre fraud case. Members were informed that the hearing had been postponed with a future date likely to be in October 2016.

Members discussed the resourcing of the Internal Audit department with the Head of Internal Audit (Acting), specifically with regards to staff secondments.

The Committee discussed the Early Leavers Initiative (ELI) audit, specifically whether the savings made were in line with expectations. The Acting Head of Internal Audit confirmed that the audit had made recommendations to improve the reporting arrangements by including the actual savings achieved as well as the anticipated savings. Members requested further information on the actual savings realised through the Early Leavers Initiative.

Members were advised that the Internal Audit Service is to have an external peer review undertaken in the summer 2016 under the requirements of the Public Sector Internal Audit Standards. The outcome of this is due to be reported towards the end of the calendar year.

In discussing the report Members asked to receive the Spending Money Wisely reports.

Members were invited to consider any areas they felt they would like Internal Audit to review. The following was requested:

- A review of the customer services department to ensure effective governance arrangements are in place in relation to contact received by the Council from its customers; and
- A review of the electoral roll to ensure it is up to date.

RESOLVED – The Committee resolve to:

- (a) to receive the Internal Audit 1st August to 31st December 2015 update report and note the work undertaken by Internal Audit during the period covered by the report;
- (b) Note the issues reported by the Acting Head of Internal Audit
- (c) Request that the suggestions on the coverage of the Audit Plan for 2016/17 made be incorporated into the audit planning process;
- (d) Receive the results of the actual saving made by the ELI process against the anticipated savings as part of the next Internal Audit update report; and
- (e) Receive the Internal Audit Spending Money Wisely reports.

60 Work Programme

The City Solicitor submitted a report which notified the Committee of the draft 2015/16 work programme.

It was noted that draft dates for meetings for the municipal year 2016/17 would be circulated to Members at the next meeting of the Committee.

RESOLVED – The Committee resolved to note the contents of the work programme attached at Appendix 1 of the submitted report.

61 Date and Time of Next Meeting

2pm, Friday 18th March 2016