

Corporate Governance and Audit Committee

Friday, 24th June, 2022

PRESENT: Councillor P Wray in the Chair
Councillors G Almass, P Harrand,
J Illingworth, J Shemilt, P Truswell,
M Midgley and B Flynn

CO-OPTEE

Linda Wild – Independent Member

1 Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

2 Exempt Information - Possible Exclusion of the Press and Public

There were no exempt items.

3 Late Items

There were no late items.

4 Declaration of Interests

No declarations of interest were made at the meeting.

5 Apologies for Absence

Apologies for absence were received from Councillors R Downes and A Smart.

6 Minutes of the previous meeting held on 25th March 2022

RESOLVED – That the minutes of the meeting held on 25th March 2022 be approved as a correct record.

7 Matters arising from the previous minutes

Members were advised of the following points:

- Minute 81 - Annual Assurance Report on Customer Contact Information had been circulated to the then Corporate Governance and Audit Committee. There had been liaison with the Chair of the Scrutiny Board (Strategy and Resources) which has oversight of the action plan.

- Minute 84 - Internal Audit Plan 2022-23
Information in relation to Covid Grant Fraud had been circulated to the current members of the Committee.

- Minute 71 – External Audit provided a verbal update to committee.
It was noted that a Briefing Note had been circulated to Members of the Committee setting out the background to the delay in the 2020/21 audit. Grant Thornton was due to resume their 2020/21 audit week commencing 20th June. It was noted that the national issue in relation to accounting for infrastructure assets is still to be resolved. This relates to the de-recognition of undepreciated components when work is done on existing infrastructure assets. This issue has prevented any further sign-off of the audits of those Councils who have highways assets since it was first raised in January, and as a result up to half of local authority accounts audits for 2020/21 have not yet been signed off. It was noted that the Council's approach to accounting for highways infrastructure assets has been in line with the vast majority of other local authorities. The Committee were advised that subject to a resolution of the issue on infrastructure assets it was anticipated that Grant Thornton's final audit report on 2020/21 accounts would be presented at the September meeting.

The accounting for infrastructure assets issue is also relevant to the 2021/22 draft statement of accounts which are currently being prepared. It was noted that these accounts will be produced in line with the Code which is in force at the time that the draft accounts are approved by the Chief Financial Officer. Therefore, some amendments may be required in relation to the infrastructure assets before the final 2021/22 accounts are approved. It was noted that the draft 2021/22 accounts will be presented for information at the July meeting of the Committee with the final accounts 2021/22 due to be presented at the February 2023 meeting.

Members were informed that the Financial Reporting Council (FRC) as part of its sampling process have selected Grant Thornton's audit of the Council's 2019/20 accounts for a quality inspection. It was noted that this is a review of the audit process rather than a review of the Council's accounts.

8 Internal Audit Update Report March to May 2022

The report of the Chief Officer Financial Services provided a source of assurance that the internal control environment was operating as intended through a summary of the Internal Audit activity for the period from March to May 2022.

The Committee were provided with the following information:

- Internal Audit sit independently within the organisation with no responsibility for the delivery of services in each of the Directorates. This allows the team to review across the whole organisation the systems and processes are working effectively. It was noted that the Audit Plan had been approved by the Committee at the March 2022 meeting.
- Members' attention was drawn to Appendix A which detailed the work undertaken. Section 4 was highlighted as some of the most interesting information for Members to focus on and was a summary of reports issued in the reporting period. It was noted that 11 reports had been issued. Attention was drawn to areas where improvement was required which included the Primary School Audit. It also highlighted some of the follow up reviews which had taken place to provide assurance on the continual improvements being made.
- Other Audit work focussed on areas of work that the team were actively involved in at a point in time. These included projects, programmes and project boards. It was the view of the service that it was better to be part of the ongoing process to provide advice and guidance.
- Section 10 provided the performance of the Internal Audit. One of the key measures was the satisfaction survey which is issued at the end of each audit report. It was noted that great value was place on this area of performance and in this period the responses were particularly high which reflected well on the service. It was acknowledged that where performance is low this is highlighted to Members and lessons learnt for improvements. The service had received a 70% response rate, which showed that there was a requirement for improvement to this. Although more responses had been received since the report had been produced.
- The quality assurance improvement report which shows the work covered over the course of the year which showed how the service planned to enhance and improve the work that they do. One of the areas was the Recommendation Tracker which has been rolled out across the organisation and will be included in future reports.

In response to questions the Committee were provided with the following information:

- *Payments to providers of home care* – Members were informed there has been some significant staffing and structure changes in this area which had held up some of the measures that the service needed to take forward. With the staffing, structure and pandemic there had been delays in progressing the formal contract and this relates specifically to the area of mental health care. In the meantime, documentation was either inconsistent or there was a lack of documentation to support the agreement of the rates. Members were advised that the recommendation tracker would aid in the follow up on improvements recommended in this area.
- *£150 Energy Support Scheme* – There were 320,000 households which were eligible for energy support in bands A-D. All those who pay by direct debit have received their payment all those who applied

through the application form online, the Council is required to do checks to ensure there are no fraudulent claims. A number of the applications were flagged by the 'Spotlight system' and checks had to be made to mitigate this. Some had received payment through BACs after confirming that the person on the form is liable for the council tax. It was noted that some have had post office vouchers issued as the Council could not gain assurance regarding the bank account, therefore the voucher was sent to the household. It was noted that 80,000 had not applied who are eligible. Therefore, the Council have used social media to encourage everyone to apply. The 24th June was the last day for people to apply for the payment. For those that have applied, and it is not flagged on the 'Spotlight system' they would receive the payment via BAC's and where flagged a post officer voucher would be sent to the household. A report will be run to see where payments have not been made and their council tax accounts would be credited, and the council tax bills reissued. It was noted that funding had been provided for administering this. Members were advised that the 'Spotlight system' was a government system run through the Cabinet Office.

- *Actual vs Planned Days of Audit* – In relation to the additional days allocated to Fraud and Corruption it was explained that this was due to the additional work involved with the Covid Grants Scheme which had been a bigger job than anticipated, along with a significant piece of work on Employee Outside Interests.
- *Framework Contracts* – The service looks at aspects wider than finance to ensure arrangements for contracts are managed so the Council is not only getting value for money but also the services that are required.
- *Transformation Programme and Budget Review Group* – Officers offered to provide more detailed information to Members outside the meeting.
- *Budget Action Plans* – These are part of the budget setting process which is monitored and reported to Executive Board on a monthly basis then go to Scrutiny Boards.
- *Customer Satisfaction Questionnaires* – The service is always looking to improve the rate of responses to the requests for feedback from services. A briefing note will be sent to the Committee providing information on services who have not responded in the recent period and outlining the steps that will be taken to improve the response rate further, including the setting of deadlines.
- *Recommendation Tracker* – The tracker will be used for high and medium priority recommendations. Reminders are sent to Directorates prompting the need to update the trackers. Follow up audits are taken where limited or no assurance has been provided, but there needs to be consideration of the right stage to re-assess the service. Timescales for implementation of recommendations are agreed with the service at the point of the report, and efforts are also made to agree the timescale for any follow up audits due.
- *Independence of Internal Audit* – Internal Audit are themselves assessed as part of the Public Sector Internal Audit and Standards and

this covers the independence of the service. The last assessment had taken place in December 2021 which they had passed and demonstrated independence.

- *Resources* – Any changes to the Audit Plan are reported to the Committee. The service is currently going through a review, assessing the type of work to be undertaken and the resources required, to ensure that the service remains fit for purpose. The Committee will be informed of the changes

In relation to a point posed by Cllr Illingworth in relation to planning matters, it was suggested by the Chair that this issue should be taken up with the Chief Planning Officer and the relevant Executive Member.

RESOLVED – To:

- a) Receive the Internal Audit Report covering the period from March to May 2022 and note the work undertaken by Internal Audit during this period covered by the report.
- b) Note that there have been no limitations relating in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period
- c) Receive the report providing information relating to the Monitoring of Urgent Decisions covering this period March to May 2022

9 Counter Fraud Update Report

The report of the Chief Officer Financial Services provided information on the counter fraud activities undertaken by the Internal Audit Service between the period October 2021 and March 2022.

The Committee were informed of the following points:

- The Counter Fraud report was made up of two main sections Reactive and Proactive. Reactive work in relation to concerns raised by staff and members of the public and Proactive work ensuring controls are in place to stop fraud occurring. The proactive work also includes awareness raising of new and emerging fraud risks and to promote counter fraud training.
- Paragraph 5 showed the channels in which staff and members of the public can raise concerns of wrong doing. The table showed referrals received by directorate and type of concern raised between October 2021 and March 2022. It was noted that 23 referrals had been received in this period.
- It was noted that 21 referrals were being investigated as at, 1 April 2021. Investigations are undertaken by Internal Audit, Human Resources, staff within directorates or a combination of all of these. Internal Audit undertake a risk assessment and determine the most appropriate route for investigation. 13 referrals were closed in this period.
- As part of the proactive work the National Fraud Initiative (NFI) is an exercise conducted by the Cabinet Office every two years that matches

electronic data within and between public and private sector bodies to prevent and detect fraud and error. Relevant teams within the Council, Internal Audit, Benefits, Housing and Tenancy Fraud have been working through the matches on a risk basis. It was noted that 19 errors had been identified resulting in the recovery of £35k.

- Members were advised that the service continued to undertake post payment assurance on Covid business grants. A separate paper had been produced on this work and circulated to Members.
- A review of the controls within the Direct Payment Audit Team had been undertaken and found fraud and prevention controls to be robust and operating well in practice.
- Included in counter fraud arrangements are to raise awareness to staff of current fraud risks, and the signposting of where to report any concerns. As part of Fraud Awareness Week in November staff were reminded of the counter fraud policies via Insite which included the updated Whistleblowing Policy and the Counter Fraud and Corruption Strategy.
- A training package had been uploaded to the training system for staff to complete this had been communicated through the Best Council Leadership Team and the Manager communications email. It was noted that 240 people had undertaken the training.
- Part of the role of the service is to review and refresh counter fraud policies and they are currently reviewing the Anti-Money Laundering Policy, which will be included in the next update to the Committee.
- It was noted that there had been no applications for directed surveillance, or covert human intelligence source authorisations in the period.

Responding to questions from the Members the Committee were provided with the following information:

- It was noted that referrals come to the team in the forms of telephone conversations and emails. These are sometimes from people who are unsure of where to raise the concern and the team are used as a conduit to get the concern raised with the most appropriate directorate or person.
- In relation to the table on page 46 of the submitted report the number of referrals can be broken down to show the number of referrals received from staff and those received from members of the public in future reports.
- It is proposed that in future the report would look to include more information in relation to direct payments fraud and frauds within the remit of other teams to provide reassurance to Members that all areas of the Council are being reported.
- It was noted that the Legal officer would look at the use of the Regulatory Investigatory Powers Act.
- Members were advised that in relation to referrals where an investigation has taken place a report was produced at the closure of the referral to Directorates with recommendations for improvements where appropriate.

- Members were advised that most of the money recovered as part of the National Fraud Initiative was related to Housing Benefit and Council Tax Reduction Scheme overpayments and was income that was coming back to the Council.
- It was noted that currently no comparison is undertaken with other Councils due to way different Councils are structured.

RESOLVED – To consider and note the assurances set out in the submitted report.

10 Decision Making Statement of Internal Control

The Chief Officer Financial Services submitted the annual report to the Committee concerning the Council's decision making arrangements.

The committee were informed that the decision-making framework runs throughout the Council's governance arrangements in accordance with the Council's Corporate Governance Code and Framework. It is relevant to openness and engagement, to proportionate, sustainable and realistic decision making, and to developing capacity.

The report provides a significant source of assurance to the Committee on the Council's arrangements for internal control when considering the approval of the Annual Governance Statement, which is due in its interim form, to be brought to the next meeting for consideration.

The appendix to the report followed the cycle of control with the first stage being define and document. It was noted that there are a number of rules, protocols and formal responsibilities to decision making. Members were advised that there have been no significant changes this year to those arrangements from last year.

The second stage is clearly communicated which looks at leadership, advice and guidance, and training for all involved in the decision-making process. The Committee were informed that training had been reintroduced this year, which had ceased due to Covid. Training had been delivered remotely with training given to 330 officers. The training had received positive feedback, however, there was a preference for face to face training going forward.

The next stage of the cycle is to effectively embed the decision making framework. It was noted there were no changes to the part in the cycle.

The report provided the number of decisions taken over the last year. It was noted there had been fewer decisions taken than the previous years and was due to having had to take more decisions in relation to the effect of Covid.

The Committee acknowledged the shift between the number of decisions made by the Director of Resources and Director of Communities, Housing and

Environment. This was due to the realignment of Housing from one Directorate to another.

The fourth stage of the cycle requires meaningful monitoring. This is provided through a number of established indicators. Prior to Covid the performance had been good, although this performance had reduced it was now improving. The Committee were advised under the final review and refine stage that arrangements for sample testing decision reports were in their early stages. In addition it is proposed that benchmarking will take place in relation to arrangements in respect of receipt of income to ensure that the framework does not hinder access to grants or other income streams.

The Committee had no further questions.

RESOLVED – To note the positive assurances set out in the Decision Making Statement of Internal Control appended to the report at Appendix A.

11 Governance Arrangements for implementation of the Leeds Best City Ambition

The submitted report of the Chief Officer Strategy and Improvement set out the proposed governance arrangements for implementation of the Best City Ambition.

The Committee were provided with the following information:

- The Best City Ambition was adopted by Full Council in February 2022 and replaces the Best Council Plan in Article 4 of the council's constitution, as part of the budget and policy framework.
- the Best City Ambition will bring together in one place the key priorities for the city through the three pillars of health and wellbeing, inclusive growth and zero carbon, with the mission to tackle poverty and inequality, while improving quality of life for everyone in Leeds.
- Appendix 1 of the submitted report provided more detail on how arrangements would align to the cycle of internal control. This will provide a flexible and inclusive approach to governance which works through and builds upon the arrangements which are already in place.
- The Best City Ambition will continue to underpin the successful work already in place through partnership working and the relationship with citizens. A refreshed and simplified strategic framework to clearly communicate key priorities underneath the three pillars and the actions being pursued to deliver improved outcomes.
- There will be a clearer view about partnerships and delivery mechanisms through which partners are working. A stronger connection between overall city ambitions and delivery in neighbourhoods and communities.
- The Council's established approach to performance management will continue with a new performance framework and set of Key Performance Indicators (KPI's). The success of performance will be

evidenced by positive progression against the KPI's, and the Leeds Social Progress Index.

- It was agreed at Full Council that 2022/23 will be a transitional year allowing time for further development work on supporting performance, strategy and partnerships.

In response to a question from the Committee it was noted that the Best City Ambition had been shared with the West Yorkshire Combined Authority (WYCA), as it now replaces the Best Council Plan as the overall framework within which the priorities for the city are articulated. WYCA, working with local authority partners in the first instance, are developing an overall plan for West Yorkshire, which like the Best City Ambition is likely to encompass issues beyond economic development such as health and the environment, again the Ambition frames our input into this work. The Chair requested that a briefing note be circulated to Members setting out arrangements for liaison with WYCA in relation to the Best City Ambition.

RESOLVED – It was the view of the Committee that Scrutiny Boards should receive trend information to ensure progression or lack of it, to allow for meaningful monitoring against the KPI's. It was suggested that benchmarking with core cities would be useful.

12 Annual Report of Corporate Governance and Audit Committee

The report of the Chief Officer Financial Services set out the draft annual report of the Corporate Governance and Audit Committee for 2021/22 municipal year.

The report showed how the Committee had discharged its responsibilities in accordance with guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

It was noted that a copy of the draft report had been shared with previous members of the Committee and had received favourable comments. Following a request from the committee in March, a brief analysis of the way in which the Committee complies with the CIPFA position statement was appended to the report at Appendix B.

In relation to the attached Corporate Governance and Audit Committee draft report it was noted that there had not been a certification of housing benefit grant claims received within the reporting period.

Members had no further points make.

RESOLVED - To

- a) Note the assurance set out in the report that the Committee complies with CIPFA's Position Statement: Audit Committee in Local Authorities and Police and:

- b) Approve the draft annual report attached at Appendix A of the submitted report and to authorise the Chair of the Committee to sign on their behalf.

13 Corporate Governance and Audit Committee Work Programme 2022-23

The report of the Chief Officer Financial Services presented the work programme for the Corporate Governance and Audit Committee, setting out future business for the Committee's agenda, together with details of when items will be presented. It also presented a development plan setting out arrangements to develop and extend the Committee's skills and knowledge in relation to core areas identified by CIPFA.

It was noted that the 2022/23 work programme had been agreed at the last Committee meeting in March 2022.

In response to a question from the Committee, it was noted that Whistleblowing was part of the remit for this Committee. Whistleblowing formed part of the Counter Fraud and Corruption reports which were presented to this Committee.

It was noted that whistleblowing comes in different formats usually anonymously to the Head of Audit.

The Chair requested a briefing note on Whistleblowing be circulated to Members of the Committee.

RESOLVED – To:

- a) Consider and approve the work programme and meeting dates at Appendix A
- b) Consider and approve the development plan attached at Appendix B.

14 Date and Time of Next Meeting

To note the next meeting of the Corporate Governance and Audit Committee will be on Friday 29th July 2022 at 2pm in Civic Hall.