

Corporate Governance and Audit Committee

Monday, 6th February, 2023

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

**INDEPENDENT
MEMBER:**
Linda Wild

56 Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

57 Exempt Information - Possible Exclusion of the Press and Public

There were no exempt items.

58 Late Items

There were no formal late items. However, there was supplementary information in relation to Agenda Item 10 - Approval of the 2020/21 Statement of Accounts and Grant Thornton Audit Report, which had been circulated to all Members prior to the meeting.

59 Declaration of Interests

No declarations of interest were made at the meeting.

60 Apologies

Apologies were received from Cllr Harrand.

61 Minutes - 28th November 2022

RESOLVED – That the minutes of the meeting held on 28th November 2022 be approved as a correct record.

62 Matters arising

The Lead Officer provided the following updates:

Minute 50 – Annual Report – Financial Planning and Management Arrangements

A briefing note had been circulated on Designation of Contractors on IR35. It was noted that in relation to the further questions raised officers are looking into these and will respond once the answers are known.

Minute 51 – Counter Fraud and Corruption Update Report

Briefing note circulated to Members in relation to Whistleblowing.

Minute 52 – Annual Report on Corporate Performance Management Arrangements

It was brought to Member's attention that a paper had been considered at Scrutiny Board Strategy and Resources on Mass Communication and Consultation. Members were advised that discussion had taken place in relation to performance, and Members wish to look at this.

Minute 53 – Annual Assurance on Corporate Risk and Resilience

A briefing note had been circulated to Members as requested.

63 Annual Information Governance Report, including the Annual Report of the Caldicott Guardian

The report of the Director of Resources and the Director of Adults and Social Health provided assurances to the Corporate Governance & Audit Committee on the effectiveness of the council's information management and governance arrangements that they are up to date, fit for purpose, effectively communicated and routinely complied with, as well as arrangements that are in review or development in order to keep pace with developing risks or changes to legislation and guidance. This report also included the annual report of the Caldicott Guardian to provide assurance to the Committee of the arrangements in place with regards to the confidentiality of service-user data.

The Head of Information Management and Governance attended the meeting and highlighted three key points from the report:

- The Council had maintained its Public Services Network (PSN) certificate which was achieved in October 2022 which ensures that the Council can continue to share information securely.
- Internal Audit had recommended an improvement for the oversight, recording and completion of Data Protection Impact Assessments. Significant work has been done on this and in December 2022 in line with the Council's Digital Strategy work started with Integrated Digital Services (IDS) to create suitable technology to support the process. Members were advised that this new process and software is due to go live in April 2023.
- Performance in relation to Information Requests had again improved from the previous year and with significant changes made earlier in the year performance had reached just under KPI target of 90% in Q2. It was recognised that consistency had been issue due to ongoing resource pressures. However, there were short term and long term plans to improve this.
- It was noted that a report with full details was due to go to Scrutiny Board Strategy and Resources on 20th February 2023.

Member's discussions included:

- Acknowledgment of a detailed report to Scrutiny Board.
- Improvements required to KPI's and benchmarking figures should be looked in to.

- Reports when released should be published with an announcement and done quickly.
- It was suggested that there should be links from the Information Management Board to CLT. It was noted that the Board was currently being reviewed and with a view that it should be an assurance board. There would be regular reporting, more information in relation to statistic and Data Protection Impact Assessments and the number of data sharing agreements and incidents that the Council has. Members were advised the Head of Internal Audit is a member of the Board and could be the link to CLT.
- It was noted that training in relation to GDPR had been ongoing and was due to close. Members were informed that 50 members of staff had still not completed the online training and their accounts would be locked until the training had been completed.
- It was recognised that current risks in relation to information governance and business risks were reviewed differently. Members were informed that a review was ongoing to review how risk is reported and Information Management and Risk Management were looking to centralise the co-ordination of reporting information risks. It was noted that the risk scores could be followed up and provided to Members. The Committee acknowledged that work was taking place to provide actions rather than a line of text on how risks were being mitigated.
- Members were informed that if information is already in the public domain, the team refuse the Freedom of Information request but provide the links where it can be accessed. It was noted that data for this can be provided to the Committee. It was also noted that the aim is to publish as much information as possible and work is ongoing to look at trends with the aim of linking information into the triage process.
- Members acknowledged that Information Governance was not just about Freedom of Information and Data Protection but also about Records Management. The team were in the process of setting up an Information Strategy which would work the next three to five years in how the Council process information. This would mean that information could be tagged making it easier to find and provide security marking. Costs are not currently done within this authority, but it is something to look at going forward. Members welcomed the work being undertaken to provide as much information as possible in the public domain making it easier for the public to access and reducing the workload for the team.
- The Committee were advised that some authorities had adopted Artificial Intelligence in relation to requests for information. This was being looked in to for the future. The Committee agreed this approach would be good and make Information Management more efficient.

The Chair asked the question if the website was being looked at in relation to providing more information having a customer facing part and a democracy system. The Committee were informed that the review of the Council's website had not been considered but the suggestion was good and would make searching for information more efficient.

It was noted that the performance information on page 27 of the agenda pack was incorrect. Members were advised that the information would re-calculated.

The Chair thanked the officer for attending.

64 RESOLVED - To note the contents of the report and the assurance provided as to the Council's approach to information management and governance.
Update report on Information and Digital Service Governance

The Chief Digital and Information Officer provided the annual report to the Committee concerning the decision-making arrangements within the Integrated Digital Service (IDS) and provided assurances that these arrangements are up to date, fit for purpose, effectively communicated and routinely complied with. The arrangements set out provide a framework for transparent and accountable decision making within IDS in accordance with the Council's Corporate Governance Code and Framework.

The Lead Officer to the Committee informed the Members the report for Item 8 was carrying the wrong title and should be Update Report on Information and Digital Services Governance. However, the information within the report was correct.

The Deputy Chief and Information Officer was in attendance for this item and provided the Committee with the following information:

- This was the first time Digital Services has used this statement of internal control and this would evolve and improve over time.
- The report aimed to describe the new governance arrangements which have been established in the service over the last two years, through the Pre-Digital Board, Digital Board and Design Authority whose aims are to align the principles and strategies to look at priorities across the council.
- Members were advised of a new tool called Daptiv which is used to plan and track delivery of all work being undertaken across IDS to understand capacity and demand management. This will provide information as to how the service is performing against capacity levels.
- A Digital Academy has been established which focuses on the skills of employees and digital inclusion.

Responding to questions from Members the following information was provided:

- It was noted that IDS are looking to augment the team with 'off shoring' which was not about outsourcing, but to bring in digital expertise to work alongside the development team on areas such as power apps and robotic automation. It was noted that in terms of reports to the Committee, language was important and rather than use jargon it would be better to describe what is to happen, so Members are fully briefed.

- Information provided in paragraph 15 is reported in somewhere, but the officer needed more information as to where, and would feedback to the Committee.
- Members were advised that the survey of internal control on page 50 looked at a number of internal controls across the council. Last years survey was in excess of 400 officers who were tier 4, 3, 2, 1 who are PO6 grade and above. It was noted that the process for this is currently ongoing, however, this was now only surveying 130 officers.
- It was acknowledged that the service had gone through a big change over the last two years with a re-organisation and there were still posts to fill. It was the officers view that the changes would make the service better now the teams have started to be embedded. Members were advised that the move to the Cloud was to provide better security and business continuity. It was noted that eventually the Council would be web based for everything, but this would take time. The service was confident that the changes were robust enough to deliver a better service.
- The Procurement Approval Meeting meets monthly and focuses on business applications and contracts which are coming to an end and whether contracts need renewing or there are resources within the council. Its focus is on value for money and planned contracts.
- It was noted that prioritisation for projects was considered at the Pre-Digital Board and the Digital Board by very senior officers. The Committee requested information on how elected members fed into this process for prioritisation. The Committee were advised that this information would be brought back to the Committee. The Committee were also advised that a meeting was due to take place that afternoon with Digital Services Senior Leadership Team at which the Head of Internal Audit was due to attend to map out governance and one area being looked at was escalation routes to Corporate Leadership Team and Members. It was noted that this would be fed back to the Committee.

On the approval of the recommendations, it was noted that Cllr Flynn wished to abstain.

RESOLVED – To note the content of the report and the positive assurances set out in the IDS Statement of Internal Control attached as Appendix A to this report.

65 Internal Audit Update Report September to December 2022

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

The Principal Audit Manager attended for this item and provided the following information:

- This report covered the period 1st September to end of December 2023.

- Included in the report was the Data Analytical Strategy which outlines the vision, aims and key areas of focus for data analytics to assist in the delivery of the internal audit plan. It was noted that this was in draft as it requires approval from Internal Audit Leadership Team, but it had been brought to Committee for Members to have sight of it prior to approval.
- Appendix A provided information in relation to movements in the internal audit plan which reflects the Council's risk profile changes during the year.
- It was noted in terms of limited opinions two reviews had been undertaken at two primary schools. These had resulted in a limited opinion for compliance with controls, the main weaknesses were around compliance with procedures for creditor payments and the management of the school voluntary fund and in one school there were weaknesses in payroll procedures. It was noted that the head teachers at both schools were implementing the actions for the procedures and these would be subject to a follow up review in 2023/24.
- There had been no follow ups during the period September to December.
- Work is continuing with Directorates to embed the recommendation tracking process, feedback from this is being used in its development.
- Currently in the process of building an internal audit plan for 2023/24. This is to be brought before the Committee in March. Members were requested to email the Head of Internal Audit if they wished to see any specific areas for consideration.

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

- Members wished to know if the audits of the two primary schools had raised concerns and if any other schools needed to be reviewed and the organisational impact from the two reviews undertaken. It was noted that information from all reviews does feed into the internal audit plan. Audit look at trends and this is fed into the internal audit plan. It was acknowledged that the table presented in the report in relation to these two audits could be confusing. It was noted that the table showed organisational impact for the Council not for the schools. It would be made clearer in future reporting. Members noted that schools were part of a rolling programme and are reviewed each year. Members were advised that for schools this size there was no risk to the Council, however, there was potential risk to reputation.
- Members acknowledged that Highways had been taken out of the internal audit plan as they were undertaking work themselves, Members asked if it would be better to have an auditor working alongside Highways during the review. Members were advised there were different approaches to audit work these included sitting alongside or being a member of a board, assist on projects, sometimes retrospective reviews are undertaken. For this particular one in Highways, it thought the best approach was a retrospective review.

- In relation to external residential providers the Committee noted that a review was due to commence this week and it was hoped it would be reported in the update report and included in the Annual Audit Report.
- Members were provided with an explanation of how pro rata days were calculated in relation to the figures set out in the bar chart on page 79 of the agenda pack.
- Table on page 59 of the agenda pack set out attendance at various Boards. The committee requested more information as to what audit were doing whilst at the Board.
- The Committee asked if there were any directorates who raised concerns in relation to Recommendation Tracking presented in the table on page 66 of the agenda pack. The Head of Audit has spoken with the Chair of the Committee and requested an email be sent to the Chief Executive to encourage officers to respond to the requests for recommendation tracking to be updated. The Chair confirmed to the Committee the email had been sent and the Chief Executive had confirmed it would be cascaded to senior officers.
- In relation to Appendix B, it was noted that assurance mapping was undertaken. Members were advised Leeds was asked to contribute to a CIPFA working group around assurance mapping, however, this has not commenced nationally. Therefore, there has been a hold up in doing assurance mapping as it was the view this should conform with the professional body. Work has now started on assurance mapping and should be ready to be presented later in the year. The KPI's will be reported as part of the Annual Plan.
- Members were provided with an explanation of abbreviations used in relation to General Exception (GE) and Special Urgency (SU) in relation to decision making. It was noted that further information on these would be provided in the Decision Making Update Report.
- It was acknowledged that Leeds uses Data Analytics which can be used as an effective tool to track fraud. The Committee were advised that Leeds is one of the leading public authorities using this tool. With regards to target dates of October 2025, it was the view these were achievable. A briefing note was requested on how quickly this might be achievable. Members welcomed this approach in using data analytics and wanted to see this used more going forward.

RESOLVED – To

- a) receive the Internal Audit Update Report covering the period from September to December 2022 and note the work undertaken by Internal Audit during the period covered by the report.
- b) note that there have been no limitations 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 the period September to December 2022.
- d) receive the Internal Audit Data Analytics Strategy 2022/25.

66 Approval of the 2020/21 Statement of Accounts and Grant Thornton Audit Report

The report of the Chief Finance Officer presented the final audited 2020/21 Statement of Accounts and also an updated report from Grant Thornton on their findings.

In attendance for this item were:

- Head of Finance
- Deputy Chief Officer Financial Services
- Representatives from Grant Thorntons – External Auditors

The Committee were provided with the following information:

- The accounts were original presented in draft form in July 2021. This is the revised version taking into account any points raised or changes in circumstances since then.
- A revised version had been to Committee in February 2022, where a small number of adjustments had already been identified, these were summarised in the covering report in relation to the Collection Fund position, property valuations and pensions.
- In early 2022 it came to light there were some national issues in relation to the accounting for infrastructure assets and this had prevented any further sign off of local authority accounts until resolved. This was resolved in December 2022 with the issue of new regulations and changes to the accounting code. The only changes to the Leeds accounts had been to make additional narrative disclosures and a slight change to one of the disclosure tables.
- Members were advised of another issue. As part of the 2021/22 closedown a number of valuations were outsourced to the District Valuers Service. One of the valuations of Leeds Arena has resulted in a significantly different outcome to our previous valuation. The District Valuer advised that in the post covid period a depreciation replacement cost valuation was more appropriate than the income-based valuation which had previously been used. This also affected the valuation for the 2020/21 accounts. The District Valuer was asked to revalue the Leeds Arena for 2020/21, which resulted in a significant increase of the Leeds Arena by £59.4m. It was noted that this is a technical issue of how much the asset is valued in terms of the Council's balance sheet and did not affect spendable reserves or the market value of the asset.
- In light of the valuation on the Leeds Arena, valuations on other entertainment venues were also requested. It was the view of the District Valuer that a depreciation cost replacement valuation would have been more appropriate in previous years as these are not leased out on commercial terms. Therefore, changes have been made as if these assets have always been valued on a depreciation replacement cost valuation.
- The Committee noted that as a result there was an additional statement which was a revised opening balance as at 1st April 2019.
- The Management Letter was attached as an appendix. This is the letter Grant Thornton ask the Council to provide prior to giving their opinion on the accounts. Members were asked to give approval for the Chair to sign the letter.

Grant Thornton provided the following information on their opinion of the accounts:

- An updated ISA260 report for 2020/21 had been included as supplementary information, which highlighted in blue text the changes from the previous version submitted in February 2022. It was noted that most of the changes were on the Executive Summary.
- Grant Thornton acknowledged that Committee had already heard about the changes to valuations of assets and noted there were changes to the Council's share of the pensions fund liability.
- It was recognised that the value and adjustments was quite significant in 2020/21, although they do not impact on the usable reserves of the Council.
- From the perspective of the external auditors there was a requirement to try and reduce the level of amendment and changes that are made to the audit in future years. It was acknowledged that Management had taken on board the comments made last year and in finalising this years' audit. Therefore, the external auditors were assured that additional layers of control had been put in place.
- The audit of 2021/22 was currently ongoing, and it was the aim to conclude the work and testing by end of April and to report to the Committee at its June meeting. Grant Thornton highlighted one key issue for them was the existing financial ledger, it had been noted that it was the aim to have a new ledger in place by April 2024. It was the view that this would assist the accounts and audit process and business management.

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

- Acknowledgment that good use of capital receipts had been utilised by this council and other councils. However, this option was now moving away and it was set out in the Medium Term Financial Strategy to make the revenue budget more resilient and sustainable that the Council was making the move away from using capital receipts to fund recurring spend. It was noted there is detailed information in relation to this issue contained within the budget report to Executive Board.
- It was noted that depreciation cost valuation was commonly used for entertainment venues by many councils.
- During the audit it had been found that there had been a breach of independence requirements, by Grant Thornton providing taxation advice for a Leeds school. However, this has been addressed and new procedures have been put in place to ensure openness and transparency
- The audit for 2021/22 has now commenced with the aim to conclude in April 2023 and report to the Committee in June 2023. This would include a follow-up on the recommendations made for 2020/21. It was recognised there was a need to get back to the annual cycle for accounts.

- It was confirmed that amendments to pension liabilities and PFI disclosure notes did not affect the Council's spendable reserves. It had been noted that the report had made reference to adjustments being made to pensions liability and private finance initiatives. The Committee were advised that these did not affect the Council's resources.

RESOLVED –

- a) To receive the audit report of the Council's external auditors on the 2020/21 accounts and to note that there are expected to be no unadjusted audit differences to the accounts.
- b) To consider the updated 2020/21 Statement of Accounts, and to approve these as the Council's final audited accounts for the year. The Committee is further asked to authorise the Chair to acknowledge this approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
- c) On the basis of the assurances received, the Chair is to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.

67 Annual assurance report in relation to employment policies and employee conduct

The annual report of the Chief Officer Human Resources brought to the committee the Council's employment policies and employee conduct. The report provided assurance to the Committee that, employee conduct is properly managed, policies are regularly reviewed and employee conduct forms part of normal manager/ employee relations.

The Chief Officer Human Resources attended for this item and provided the following information to the Committee:

- The report provides assurance that employment conduct is properly managed and policies in the employment domain are regularly updated and reviewed. The report also showed that activities undertaken to ensure that the employment activities are appropriately aligned with the Organisational Plan, the Council's Ambitions and the People Strategy.
- The report provided the Committee with the robust mechanisms in place for reviewing, consulting and engaging with stakeholders on practices and policies. This included engaging with Executive Members, Staff Networks and Trade Unions.
- A few highlights from the report included:
 - It had been a difficult year in terms of operating within a challenging labour market. Therefore, the focus had been in augmenting and reviewing the recruitment and selection policies, practices and toolkits.
 - A grievance practice review had been undertaken which was independent of the HR Business Partnering Team.
 - There had been refresh of the organisational values and behaviours and work is currently ongoing to embed these across the organisation.

- A new leadership and development offer has started for 2,500 managers designed to build confidence and capabilities.

Member's discussions included:

- Acknowledgement that this was a comprehensive area and it had been noted the work undertaken on policies, grievances and employment.
- It was recognised that staff welfare was important and were of the view that details of actions to address staff wellbeing was included in reports and reported into either this Committee or Scrutiny Board Strategy and Resources. The Members were advised that staff wellbeing and safety was at the heart of the People Strategy. It was noted that there are increases of ill health including Covid, mental health and musculoskeletal problems. There is a specific action plan and HR are midway through this. Also started this year is a Mental Health Strategy which focusses on three areas of promotion, prevention and support . The Committee were informed that future reports could provide more details. It was the view that this needed to be more proactive work rather than reactive.
- There is a range of issues which can be benchmarked which could include employment, retention of staff, absence and turnover of staff. The Council engages with the LGA, core cities group and comparisons can be undertaken with neighbouring authorities and the anchor network.
- There were three Armed Forces Champions present at the Committee and HR were thanked for their work to embed the Silver Covenant through training days etc. for ex-armed forces personnel and the hope that next year the Council can aim for gold. Praise was also given for the staff networks that this Council has and going forward it was hoped a staff network could be established for reservists within the Council.
- It was acknowledged that there was not always consistency across the organisation in relation to wellbeing etc. It was noted that this is a key issue for an organisation this size and it was important to have robust policies and frameworks. It was the view that the organisation has a robust mechanism in place such as support for supervisors, appraisals, mediation, trade unions and interventions through informal routes. The leadership and management development training 'Be Your Best' started this year is to assist managers to address hard conversations with staff. In terms of numbers on the formal capability process this was between 7-10 with similar numbers accessing a different procedure due to ill health and/or conduct issues, it was noted that there are 3-4 times more being addressed through informal procedures. It is a managerial decision when informal procedures are progressed to formal procedures and HR provide procedural support and guidance with this. Members were advised that the organisation had got better at identifying skills gaps and flexibly deploying staff into different roles within the Council. The Chair said he was not assured by the information provided in the report or at the Committee in relation to how staff are performance managed and advised the Chief Officer he would be invited back to the Committee before the next Annual Report.

RESOLVED – To receive and note this report and the attached Appendix 1 as together providing key forms of assurance on the robustness of the Council's employment policies and employee conduct.

Cllr Flynn left the meeting during this item at 11:45.

68 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.

The Lead Officer advised the Committee that at the meeting in March the proposed work programme will be presented for 2023/24 for consideration. Members were invited to email the Lead Officer with suggestions for the future work programme 2023/24

The proposed Development Plan for Committee would also be brought to the next meeting.

RESOLVED - To note and approve the work programme and meeting dates at Appendix A.

69 Date and Time of next meeting

To note the next meeting of Corporate Governance and Audit Committee will be on Monday 20th March 2023 at 10.00am in Civic Hall.