

## Corporate Governance and Audit Committee

Monday, 20th March, 2023

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

**INDEPENDENT  
MEMBER:**  
Linda Wild

### 70 Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

### 71 Exempt Information - Possible Exclusion of the Press and Public

There were no exempt items.

### 72 Late Items

There were no late items.

### 73 Declaration of Interests

No declarations of interests were made at the meeting.

### 74 Apologies for Absence

Apologies for absence were received from Cllr Ryk Downes.

### 75 Minutes of the Previous Meeting held on 6th February 2023

**RESOLVED** – That the minutes of the previous meeting held on 6<sup>th</sup> February 2023 be approved as a correct record.

### 76 Matters Arising From The Minutes

#### Minute 62 – Matters arising – Minute 50 Annual Report Financial Management arrangements

It was noted that a query in relation to IR35 costs had been responded to by the Deputy Chief Officer. However, a further question from Cllr Dowson was still being looked in to.

#### Minute 63 - Annual Information Governance Report, including the Annual Report of the Caldicott Guardian

Further Information relating target risk rating of the risks, benchmarking statistics due to potential inaccuracies and the number of times the information governance service has refused to respond to information

requests due to the information already being publicly available was circulated to Members prior to the meeting.

Minute 64 – Update report on Information and Digital Service Governance

Requested details of opportunities in relation to democratic scrutiny of major systems failure report. Deputy Chief Digital Information Officer had advised that reports giving assurance on risks go to the Corporate Leadership Team and are reported through to Members as part of the annual risk report to Executive Board. It was suggested that this be part of the Corporate Governance and Audit Committee agenda.

Members were advised that prioritisation of I.C.T. projects are aligned with Member priorities and appropriate democratic oversight. The service is currently putting together a list of projects as this had been requested by the Labour Review Group.

Minute 65 – Internal Audit Update Report September to December 2022

Various suggestions provided by the Committee for inclusion in the plan and the update report have been taken on board and will form part of the plan and update report in the future.

A briefing note was requested to provide information around the length of the timescales anticipated to deliver the Internal Audit Data Analytics Strategy. This was circulated to members prior to the meeting. It was reaffirmed that timescales are deemed appropriate to enable Internal Audit to embed a solid foundation at each stage of the strategy.

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

It was confirmed that the 2020/21 accounts had been signed off on 17<sup>th</sup> February 2023 and are now complete.

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

Members were advised that further assurance sought in relation to performance management was now subject to a Scrutiny Inquiry and there would be opportunity to see what the inquiry covers.

**77 Internal Audit Plan 2023-24**

The report of the Chief Officer Financial Services presented the proposed Internal Audit Plan for 2023/24 to the Corporate Governance and Audit Committee for review and approval. The report also included a summary of the basis for the plan.

Members were provided with the following information:

- The Internal Audit Plan is produced by reviewing risk registers, consultation with officers, Section 151 Officer, and the Committee. Internal Audit also have regular dialogue with colleagues in other core cities and South and West Yorkshire to ensure knowledge of any

emerging risks in other councils. They also undertake horizon scanning through training and key events.

- Internal Audit start the year with a slight drop in resources. They are currently undergoing a restructure which will change the profile of grades across the team to align with other teams within Financial Services and reflect the increasing complexities within the work. The number of FTE's will increase as the team recruit into vacant posts. It was noted the drop in resources would be reflected in the decrease of the number of days allocated in the plan as there had been a prudent approach on the assumption of a top-down recruitment to the new structure.
- There would be on-going professional development of the staff and their wellbeing, along with maximising the resources devoted to core assurance and consultancy activities.
- Two main focuses in the plan were financial challenge and transformation. These were perceived as being the main areas of risk for the Council in the coming year.
- There would also be time allowed for I.C.T and Information Governance as digital solutions would be required to support the financial challenge and transformation activity.
- The Council Values would also be an area of focus following on from work undertaken on organisational culture.
- Any significant changes will be reported to the Committee through the update report along with progress in delivering the plan. Success of the plan will be measured through recommendation tracking which the team will continue to embed across the Council.
- Feedback would be provided through the customer feedback survey which is currently being reviewed.

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

#### *Privilege Users List*

- Members were advised that some officers were granted enhanced permissions within the integrated digital services as required. This was for a time limited period. Information could be provided on numbers on the current list.

#### *Whistleblowing*

- Members recognised the confidentiality around whistleblowers. However, they wished to be assured that all procedures and processes were being followed as part of the whistleblowing process and to ensure that whistleblowers were satisfied that their concerns had been addressed. Officers said that where contact details were provided, they would ask for feedback from the internal whistleblowers and report back to Members. The Committee was of the view that this type of feedback could provide opportunities to improve the process.

#### *Covid response*

- Members were advised that audit work in relation to Covid Grants was now at the end of the process. Any new referrals or further work would be undertaken as part of the Anti-Fraud and Corruption block of time.

The work would be reported as part of the Annual Internal Audit Report.

*Time Allocated for Finance, Key Financial Systems and Procurement Audits*

- It was noted that although the table shows a reduction in time in the plan against the above areas, there are reviews in other areas of the plan that would cover finance, procurement, contracts, and suppliers

*DPIA's*

- It was noted that the process was currently ongoing to ensure all these have been completed and signed off and the review in the plan for this year would look at whether this process is embedded.

*Workstreams*

- Members noted that the productive audit days to contribute towards the annual opinion will decrease and this had been based on assumptions around the top-down recruitment approach to the new structure.
- Internal Audit would look to draw on a multitude of other work streams to help deliver the annual opinion, including an increased focus on consultancy work and client liaison activities as part of their roles on project boards.

*Risks*

- Risks forms part of the decision making process, officers ensured that decisions were robust, through information and governance processes.

**RESOLVED** – To review and approve the proposed Internal Audit Plan for 2023-24.

**78 Statement of Internal Control in relation to Estate Management**

The report of the Chief Asset Management and Regeneration Officer; Chief Officer Civic Enterprise Leeds; and Chief Officer Sustainable Energy and Air Quality sets out assurance in respect of the internal control environment for the Council's real estate and provides assurances that these arrangements are up to date, fit for purpose, effectively communicated, and routinely complied with.

The arrangements provide a framework for transparent and accountable decision making, and the continual review of how the Council uses its assets to achieve outcomes efficiently and effectively in accordance with the Council's Code of Corporate Governance.

The Committee were provided with the following information:

- Estate Management have control of over 700 individual assets and 9,000 hectares of land. It was noted that the report does not include schools, Housing Revenue Account properties or the management of Highway Assets which have their own governance and assurance approaches given different legislation and funding provision.
- In 2020/21 a review of property management was undertaken. As a result of the review specialist functions have been consolidated into Asset Management, Facilities Management and the Sustainable Energy and Air Quality Teams to improve oversight and assurance of decision making around the Council's estate.

- Members were advised that the Corporate Estate Management Board (CEMB) provides oversight, alignment, advises and supports estate strategy and operational matters. Matters considered by CEMB are brought through Estate Management Working Group and Directorate Asset Management Boards. Meetings take place on a monthly basis.
- Members noted that the Estate Management Strategy had been considered and approved by Executive Board in November 2021.
- Members acknowledged that appended to the report was the Statement of Control relating to estate management.
- It was noted that the information system used for estate management was outdated and work was currently ongoing with Information and Digital Services to scope a new system which would improve the way data was analysed and make it easier for public access.
- Members attention was drawn to page 60 of the agenda pack which provided information on Statement of Control feedback for 2023, in relation to advice and guidance and decisions relating to the use of Council's land and buildings. It was recognised that the organisation was going through change in relation to soft and hard management and there was a need for clarity of responsibilities. Gaps had been identified and were being addressed.

Responding to questions from the Committee the following information was provided:

- It was suggested that decision-making in relation to estate management seemed to be officer led, and there should be roles for input from Elected Members and members of the public. It was noted that Asset Management did consult with the Executive Member for Resources and Ward Councillors and the information was provided to the Executive Board. Members were advised that future ways of working would allow engagement with communities and results of consultation would be accessible to the public.
- The Committee recognised that the process for the management of the estate was often lengthy and complex and required a number of resources, especially in relation to disposal of assets which also required legal input. However, it was the view that there should be more input for Health and Safety. Officers acknowledged this and would look to appoint a Health and Safety Officer to the Board.
- It was recognised that 50% of staff now worked from home. However, should the need arise for all staff to return to work, Asset Management and HR were confident that there were enough desks and perches for all staff.
- Members recognised the good work in decarbonisation of buildings. It was noted that the Council had been successful in getting grants for the work to be undertaken. Some of the works included new boilers, heat pump systems use of LED lighting, air handling units and solar panels.
- Parks and Countryside would be looking at the planting of street trees this would be in consultation with and involvement of the community.

- The Council was flexible to having conversation in relation to leased buildings to understand any issues and grant funding requirements.
- In relation to heritage buildings there was a need to understand the size and scale of issues, with any implications for health and safety, condition surveys, and maintenance. It was noted that lottery funding could be looked at for heritage buildings.
- The Committee were advised that there was a list of all assets which would be reviewed as part of the implementation of the new system.

**RESOLVED** – To consider and note the positive assurances set out in the Statement of Internal Control relating to estate management, attached as Appendix A to this report

## 79 **Grant Thornton Annual Report and IT Audit Report 2021/22**

The covering report of the Chief Finance Officer presented two reports from Grant Thornton in relation to their audit work for 2021/22 financial year - the Annual Auditor's Report and the IT Audit Report.

The Annual Report and the IT Audit Report were attached as Appendix 1 and Appendix 2 of the submitted report.

Grant Thornton, External Auditors presented the item providing the following information to the Committee:

- The Annual Report provided the audit findings on the 2021/22 value for money review which had focussed on key developments in the Council's arrangements across three themes which were Financial sustainability, Governance and Improving economy, efficiency and effectiveness. The report did not identify any statutory or key recommendations but did make a number of recommendations for improvement.
- Members attention was drawn to page 69 of the agenda which presented the Executive Summary. Grant Thornton confirmed that there were no risks of weaknesses, and this was good for a Council of this size. It was suggested that the Council should look to enhance existing controls and processes and details of recommended improvements were provided within Appendix 1 of the submitted report. It was noted that one of the improvements recommended was to update the Members Code of Conduct document.
- Members noted there were no significant issues in relation to key services or key performance indicators.
- The Committee were advised that work was currently ongoing in relation to the 2022/23 accounts.

In response to questions from the Committee the following information was provided:

- In relation to pages 91 – 93 of the agenda – follow up of previous recommendations. The Committee were informed that Grant Thornton was satisfied with actions taken to date. Although, it was noted that some of the issues raised such as benchmarking could still be

beneficial for the Council going forward. However, there were no high level risks.

- It was referenced on page 80 of the agenda that the Council has 10 /11 Scrutiny Boards. However, it was noted that the Council has only 5 Scrutiny Boards with the others listed being consultative Scrutiny Boards.
- Business Rates collection rates were improving with 2022/23 collections better than 2021/22.
- The Council actively benchmarks in relation to Adult Social Care costs reductions and savings. It was noted that the Committee would like to see more benchmarking in future.
- Members acknowledged the challenges faced by the external auditors and noted that this report would bring value for money element of the audit back on track with the 2022/23 report being brought to the November 2023 meeting.
- The Committee recognised that the General Fund Reserves were lower than other core cities and acknowledged that there was a need for the Council to increase the General Fund Reserves. However, it was noted that the increase may not bring the Council in line with other core cities if they also decided to increase.

The I.T Audit Senior Manager from Grant Thornton presented the I.T. Audit Findings Report and provided the following information:

- The committee's attention was drawn to page 105 of the agenda. It was noted that user accounts had been identified which in the auditor's view had an inappropriate combination of roles in Financial Management System (FMS). Risks had been identified and recommendations to mitigate the risks had been provided.
- User accounts had also been identified with inappropriate access rights in the SAP Payroll System. Risks in relation to this were outlined along with recommendations to reduce access privileges and ensure where privileges are given, they are commensurate with job responsibilities.
- Page 108 reported findings relating to privileged user account access to applications and databases within the three main systems used and the management response.

Responding to questions from the Members the following information was provided:

- It was acknowledged that some findings from the previous year had not yet been fully addressed. It was further noted that the introduction of a new financial ledger system and a new payroll system in the near future would bring changes to user access controls and different system capabilities, and a new assessment would be needed.
- Members requested that progress on the implementation of the recommendations should be reported to the Committee. It was suggested that the recommendations should be included within the internal audit recommendations tracking process, to be reported in future updates to the Committee.

**RESOLVED** - To receive the Annual Auditor's Report and the IT Audit Report presented by Grant Thornton and to note the recommendations for improvement which have been made in each report

**80 Corporate Governance and Audit Committee Work Programme 2023-24**

The report of the Chief Officer Financial Services presented the proposed work programme for the Corporate Governance and Audit Committee for the 2023/ 24 municipal year, setting out future business for the Committee's agenda, together with details of when items will be presented.

The Committee were advised that updates from Counter Fraud are provided to the Committee bi-annually.

**RESOLVED** – To:

- a) Consider and approve the work programme and meeting dates at Appendix A, and
- b) Endorse the proposed development plan at Appendix B

**81 Date and Time of Next Meeting**

It was noted that the next formal meeting of Corporate Governance and Audit Committee would be in the new municipal year 2023/24 and was scheduled for Monday 26<sup>th</sup> June 2023 at 10:00am.