

Corporate Governance and Audit Committee

Monday, 24th July, 2023

PRESENT:	Councillor P Wray in the Chair Councillors B Flynn, J Dowson, H Bithell, C Hart-Brooke, J Heselwood, T Smith and R Jones
INDEPENDENT MEMBER:	L Wild

14 Election of Chair

The clerk opened the meeting and informed the Members that the Chair had given her apologies. The Chair had nominated Cllr Wray as the Chair during her absence.

The clerk asked if all Members were agreeable to this.

RESOLVED – To elect Cllr Wray to the Chair for the duration of the meeting.

On taking the Chair Cllr Wray made the following statement saying:
'He is the Deputy Executive Member supporting Cllr Coupar for Strategy and Resources. He said he would be looking at the conversations impartially from a non-political perspective. He reminded Members that there were no politics with a big 'P' at this Committee. This Committee was to consider and scrutinise the procedures and structures of how the Council operates'.

15 Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

16 Exempt Information - Possible Exclusion of the Press and Public

There were no exempt items.

17 Late Items

There were no formal late items. However, there were supplementary items in relation to Agenda Items 9 and 11 which had been circulated to all Members prior to the meeting.

18 Declaration of Interests

No declarations of interests were made at the meeting.

19 Apologies for Absence

Apologies for absence were received from Cllrs France-Mir and Cllr Almass.

Cllr R Jones attended the meeting as substitute for Cllr Almass.

20 Minutes of the Previous Meeting

RESOLVED – That the minutes of the meeting held on 26th June 2023, be approved as a correct record.

21 Matters Arising From The Minutes

Minute 8 Internal Audit Update Report

In relation to questions from Members on Key Decisions and Counter Fraud Arrangements information had been circulated to Members on Friday 21st July.

Matters outstanding from previous meetings:

- Query on IR35 had now been completed and responded to.
- Privilege Users Access list was now in final stages of agreeing a response and would be circulated to Members very soon.

Members were of the view that the function of Information and Digital Services (IDS) were spoken of a lot in this Committee, and it was suggested that a report should be put before the appropriate Scrutiny Board. It was noted that the point was a valid one and it was the view that it was essential for IDS to attend a meeting of Corporate Governance and Audit Committee and the relevant Scrutiny Board.

22 Internal Audit Annual Report and Opinion 2022/23

The report of Senior Head of Internal Audit, Corporate Governance & Insurance set out the annual opinion of the Senior Head of Internal Audit and provided a source of assurance that the internal control environment is well established and operating effectively in practice through a summary of the Internal Audit activity for the 2022/23 Internal Audit plan.

Members were provided with the following information:

- It was noted that Appendix C of the submitted report provided a list of work completed by Internal Audit for 2022/23.
- It was acknowledged that the service had been through a challenging year and had undergone a restructure with key officer posts changing.
- The Senior Head of Internal Audit assured the Members that he was confident in the assurances within the report that support the annual opinion.

- Members noted that the opinion remained satisfactory, and this was a testament to the work of officers across the organisation in challenging circumstances.
- During the year the Service had identified areas of opportunity and weakness which could be improved. It was noted that there were also positives to be drawn on from the audits and highlighted at the last meeting in relation to the work being undertaken around culture of the organisation.
- Appendix B of the report summarised Internal Audit resources and the quality assurance and improvement plan for 2022-23. It was noted that there was an external inspection of these areas and it had received certification since 1998. It was the view that this showed the effectiveness of the service to deliver a good quality management system and product and deliver in line with the standards required.
- Excellent feedback had been received in relation to the questionnaires raised at the conclusion of the audit process. The Service was looking to streamline and simplify the feedback, to encourage greater feedback in the future. It was also noted that excellent feedback had been provided informally through the audit process which gave the confidence to say that the service was well respected and valued across the organisation for the positive and constructive challenge that the service offered.
- The Senior Head of Internal Audit took the opportunity to thank the new Chair of the Committee, and the previous Chair and all the Members who sat on the Committee during the year for their constructive challenge. He also thanked officers from across the authority for engaging in the internal audit process, and it was recognised that this was not easy when resources were stretched, but there had been positive engagement to complete the planned work. Thanks, were also given to the Internal Audit and Corporate Governance team for their work to support the delivery of the opinion.

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

- Clarification was provided on the table in relation to the recommendation tracker and reasons why some actions had not been progressed. It was noted that the service would be undertaking a sampling process over the coming year, but the onus was on departments and services to update the recommendations. It was the view of the Committee that this needed to be reinforced and for the Committee to be assured that they had been completed and advised of any risks due to actions not being completed.
- It was noted that fraud awareness training was not mandatory, but the service does communicate particular areas where relevant and they are actively promoting and providing training in relation to fraud in key risk areas, for example bank mandate.
- It was advised that there were no issues in relation to cyber security to be reported at this point from the review.
- In relation to the Adult and Health Debt Recovery, it was advised this was in relation to debt of service users and their payments for their

care. The Chair suggested that this issue should be directed to the Chair of the relevant Scrutiny Board to be looked into.

- It was noted that the Corporate Governance and Audit Committee Members are a key part of the governance and challenge for the process used by the Council and that the challenge offered by the committee helps to safeguard the independence of the internal audit function. The Senior Head of Audit has direct reporting lines up to Chief Executive level. Members of the Committee were informed that officers in senior posts in the organisation do have to complete a register of interests' declaration annually.
- It was noted in relation to schools, the Council had an effective risk-based audit planning process.

RESOLVED – To note the opinion given and the content of the report. In particular:

- a) That, based on the audit work undertaken for the 2022/23 Internal Audit plan, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.
- b) A satisfactory overall opinion is provided for 2022/23, based on the audit work detailed within the report.
- c) That the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing (IPPF).

The Committee also resolved to note that there have been no limitations in scope, and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

Cllr Dowson joined the meeting at 10:40 at the start of this item.

23 Draft Statement of Accounts 2022/23

The Chief Officer Financial Services submitted a report which presented the draft unaudited 2022/23 Statement of Accounts which would be made available on the Council's website for public inspection for thirty working days commencing Monday, 24th July 2023. Details of the roles, responsibilities and timescales for approving the statement of accounts were set out in the submitted report.

The Head of Finance presented the report providing the following information:

- Draft Statement of Accounts for 2022-23 had been approved by the S151 Officer on Friday 21st July and were provided to the Committee for information. Members were advised that the draft Statement of Accounts had been published on the Councils website on Monday 24th July, for the public to view them and make any requests for information or make objections to the auditors.

- Members were made aware that the statutory deadline for the draft accounts had been brought forward by Government to 31st May 2023. It was noted that 70% of local authorities were not in a position to publish their draft accounts by 31st May, and the Council was therefore not unusual in publishing its 2022/23 draft accounts later than the statutory deadline. A notice had been published on the Council's website explaining the reasons that the date of 31st May had not been met and giving the expected timescales for publication.
- The audit of the accounts would be carried out by Grant Thornton, it was expected that the audit would start in Autumn, with the final audited accounts ready to be brought back to the Committee in March 2024 where the Committee would be asked to approve the final accounts on behalf of the Council.
- The Committee were advised that an informal meeting would be arranged in advance of the March meeting with a briefing session so Members could go into the accounts in more detail.
- Members were informed that the 2021-22 audit of the final accounts was expected to be brought to the Committee in September for approval. Members were advised that an informal briefing session would be arranged for the Committee Members in early September where Members could go through the 2021-22 accounts in more detail.
- The Committee were informed that the biggest impact on the accounts for 2022-23 had been the pension position due to the way the pensions liabilities are measured, discounted based on corporate bond rates. As the yield on the bond rates had increased significantly during the year, the Council's liabilities value had decreased as reported in the accounts. It was noted that the Council has a net pension asset on its West Yorkshire Pension Fund which has not happened before. Members noted this impact was on un-spendable reserves and did not affect funding or future contributions to the pension fund as these would be based on the tri-annual reviews.
- Spendable reserves had reduced during the year, including due to a £12.4m overspend against the budget. It was noted that part of the reduction in reserves was due to funding that had been received in advance from Government and NHS bodies which had been spent during 2022-23.

The Committee acknowledged the report and informal briefing due in September and requested that more information in relation to the reserves position be included.

RESOLVED - To note the unaudited statement of accounts for 2022/23, which is to be certified by the Chief Finance Officer.

24 Interim Annual Governance Statement

The Chief Officer Financial Services submitted a report which presented the interim Annual Governance Statement (AGS). Members noted the interim Annual Governance Statement was prepared following a review of the

effectiveness of the Council's arrangements for Internal Control and would be published alongside the Statement of Accounts when put on deposit. Members were informed the final Annual Governance Statement would be brought back to the Committee in Autumn for formal approval in advance of the Committee's approval of the audited Statement of Accounts.

The Senior Head of Internal Audit thanked the people involved in producing the Annual Governance Statement.

The Committee were of the view that this was a good piece of work, which allowed Members to see specifics and could be used as a working document.

RESOLVED – To note the content of the Report.

25 Grant Thornton Audit Interim Findings Report 2021/22

The report of the Chief Finance Officer presented Grant Thornton's Interim Audit Findings Report for their audit of the Council's 2021/22 statement of accounts. The report was sent to Members as a supplementary document. The report outlined Grant Thornton's findings to date, and the areas which remain to be covered when their audit work resumes.

The Committee were informed of the following:

- The work had commenced in March 2023 and is ongoing with approximately 70% completed and a revised version of the submitted report would be brought to the Committee in September. It was noted that to date the auditors had not identified any audit adjustments impacting on the Council's outturn position and useable reserves.
- A summary of the findings was set out in Section 2 of the submitted report.
- Two audit recommendations had been raised for management in the Action Plan set out at Appendix A.
- A follow up on recommendations from the previous year were detailed at Appendix B.
- To date a number of identified disclosure and presentational audit adjustments had been identified and were set out at Appendix C.
- There were elements still outstanding, and these were listed on page 5 of the submitted report.
- It was recognised that under ISA(UK)260 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. It was noted that no risks had been identified so far.
- Grant Thornton highlighted the valuation of land and building estimated at £5bn and their suggestion in the previous year to value the land and buildings on 31st March rather than on 1st January. It was noted that management had consulted on this with the Council's valuers as agreed. However, the 2021-22 valuation date remains the same and a change in valuation date has been recommended again.
- Members noted that the year-end MRP charge has increased to 2.5%.

- Workshops for finance officers had been undertaken and it was the view that these workshops would improve the content and quality of working papers going forward.

Questions from Members provided the following response:

- There were practical issues to consider in relation to changing the valuation date of assets to 31st March. It takes a significant time for the valuations to be undertaken and moving to the 31st March would not leave enough time to complete the draft accounts if valuations were to be based on data for conditions at 31st March. Members queried what approach is taken by comparable authorities with a similar portfolio to Leeds. It was noted that Grant Thornton act as auditors for other core cities and they offered to take this question away and report back.
- Officers were of the view that it would not be permissible under the Code to split the valuation date for half the properties to be valued at 1st January and half valued at 31st March, as it was thought that one valuation date had to be specified. This information was to be checked and reported back.
- Information on how the property assets of a council were audited was provided to the Committee.

RESOLVED – To note the content of the report and the recommendations made by Grant Thornton.

26 Corporate Governance and Audit Committee Work Programme 2023-24

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.

In relation to the Development Programme presented at the previous meeting, it was noted that training dates and briefing sessions were to be arranged for Members.

The Head of Information Management and Governance informed the Committee that they had been contacted by the Information Commissioners Office (ICO) who wanted to do a data protection audit. Members were advised that not all the details had been provided yet, but in the first week of September would be meeting with the Council to do the scoping for the audit, setting out the areas of the Council they wished to audit. Once specific details have been provided the Council would be given a few weeks to gather evidence. The ICO would start the audit in the first week of November. It was noted that the ICO do hybrid audits but would also be on site conducting interviews with staff. At the conclusion of the audit, a report would be produced within two weeks on their findings, with the Council being given a similar period of time to respond.

Information Governance are due to report to the Committee in February and will provide an update to the Committee on the ICO findings.

RESOLVED – To note and approve the work programme and meeting dates as at Appendix 1.

27 Date and Time of Next Meeting

RESOLVED – To note the next meeting of the Corporate Governance and Audit Committee is scheduled for Monday 25th September 2023 at 10.30am.

Meeting concluded at 11:45