

Corporate Governance and Audit Committee

Friday, 29th July, 2022

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

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 was supplementary information in relation to Agenda Item 10 – Draft Statement of Accounts, which had been circulated to all Members.

18 Declaration of Interests

No declarations of interests were made at the meeting.

19 Apologies for Absence

Apologies for absence were received from Linda Wild (Independent Member).

20 Minutes of the Previous Meeting

Cllr Truswell suggested that the last paragraph of Minute 11 – Governance Arrangements for implement of the Leeds Best City Ambition be used as the resolution. This was agreed by the Committee.

RESOLVED – Subject to the amendment agreed, that the minutes of the meeting held on 24th June 2022, be approved as a correct record.

21 Matters arising from the Minutes

It was noted that briefing papers requested at the previous meeting in relation to the following had been sent out to Members:

- Budget Action Plans
- Customer Satisfaction Questionnaires

- Use of RIPA
- Best City Ambition liaison with WYCA
- Whistleblowing arrangements

It was also noted that the Annual Report of Corporate Governance and Audit Committee had been presented to full Council on 20th July 2022.

22 Procurement Assurance Report 2021/22

The Head of Procurement and Commercial Services submitted a report which presented the Annual Report on the Council's procurement function and provided assurances that the Council's arrangements were up to date, fit for purpose, effectively communicated and routinely complied with.

The report provided assurance as to the effectiveness of the Council's procurement arrangements with detail included in the Procurement Statement appended to the report at Appendix A.

The report also requested Members to consider the ongoing work to review the Council's entire "procure to payment" (the P2P Review) processes in order to maintain effective procurement support, including appropriate training and guidance, and efficient systems and processes.

Members noted the following points:

- External spend in 2021/22 was reduced by £40m on the preceding year which had been inflated as a consequence of Covid related grant and support.
- A refresh of the Council's Contract Procedure Rules is currently ongoing with a view to strengthen rules relating to Social Value and contract management and facilitating a more flexible and responsive approach to low value spend where there is urgency or where spend relates to goods for resale by the Council. Contract Procedure Rules training is continuing for staff.
- In relation to compliance there had been no formal procurement challenges in the period 2021/22. On-contract spend remained strong and there was general compliance with procurement policies, with on-contract and compliant expenditure standing at 98.5% for 2021/22 financial year which was up from 95.6% in the previous year. The number of waivers of Contract Procedure Rules was down from 60 in the previous year to 37 in 2021/22.
- The P2P Review is continuing with a focus on improving contract management and developing best contract management practice across the Council. An update on the P2P Review was attached to the submitted report at Appendix B.
- A framework for delivering Social Value in all the Council's procurements is now established, with a Social Value Board, Social Value Guidance for Commissioners, and Social Value support from PACS and Social Value Portal. It was noted that delivering Social Value was embedded in the Council's higher-value procurement

activity, but it was recognised that there was still work to be done to improve further. Members were informed that expenditure with local suppliers and SME's equated to 63.8% of total expenditure in 2021/22, which was marginally down on the previous year.

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

In relation to value engineering and inflationary pressures:

- All contracts are monitored, should the supplier need to deviate from the contract they are required to submit a change request. This request would have to be agreed. If a supplier did not deliver to the specification bid for then the contract would not be signed off and payment not made.
- The Council will challenge an inflation uplift request to ensure that the uplift is appropriate, fair and reasonable.
- Members were of the view that any inflation uplifts need to be agreed on an equitable basis that reduces the Council's vulnerability. Members wanted to see assurance that this is built into the process. The Chair was of the view that a piece of work was required around assurance for the Committee.
- Members were advised that inflation settlements were agreed by the directorate responsible for the contract. This is subject to the proper decision making process.

In relation to social value:

- The Council uses an external provider platform to evaluate and monitor social value. These arrangements are due to expire in March 2023. The Council is currently liaising with other authorities in the region to seek to find a better fit for the public sector and to have a more uniformed approach across the region. Initial timescales for the first stage of this piece of work to be completed are end of October.
- The percentage put towards social value will also be considered as part of this review.
- The table at 3.12.3 of Appendix A was part of feedback – the table aggregates proxy values ascribed to various social value provided under Council contracts. The Council is trying to move towards more meaningful information in relation to social value outcomes (e.g. actual figures on job creation and number of volunteer hours).
- Members noted the definition of local business was that the office with which the Council deals is based in Leeds.
- Members were advised that the Council works with the voluntary sector and businesses in Leeds to help them be in a position to bid for Council tenders.

In relation to other matters:

- It was noted that the Council considers that we would be able to comply with the Procurement Bill. Some changes were noted including more flexibility in choosing own procurement processes so long as they

are fair and transparent. However, it was also noted that extra administration in the form of reporting and transparency would be required.

- It was acknowledged that there are risks in relation to the Council's procurement processes in addition to the key risk of challenge noted in the report. However, the risk identified relates to the focus in the report to provide assurance to the Committee that procurement activity was being undertaken properly and effectively. Members were advised that risks in relation to individual procurements are carried by the directorates on their risk registers.
- A series of different reviews impacting procurement have been brought together under Appendix B action plan. The aim of the reviews is to make the procurement process as efficient as possible. One main aim is to secure a system which is integrated with other Council systems, this would make the P2P process much more effective, efficient and save resources.
- Members were advised that the principles of the Fair Tax Declaration accord with the Council's procurement strategy, and the Council does look to comply with this. The council does vet and assess all tenderers, however this is in the form of a desktop exercise. To investigate off-shore structures would be difficult as they are designed to be complex, it would also take resources and skills which the Council does not have. It was noted that if a contractor was found to be moving tax, the Council would look to exercise any rights under the contract or under procurement regulations. The Chair suggested this was something that may need further discussion either with this Committee or a Scrutiny Board.
- Members noted that the use of waivers should be low, as these should only be used in exceptional circumstances. It was the view that the reduction in number of waivers was due to training of staff by PACS to understand the flexibility in the CPR's.

RESOLVED - To:

- a) Consider and note the assurances provided in this report from the review, assessment and ongoing monitoring carried out
- b) Note that the Head of Procurement and Commercial Services has reached the opinion procurement policies and practices are up to date, fit for purpose and effectively communicated; and
- c) Note the ongoing P2P Review.

Cllr Downes left the meeting at 15:30 during this item.

23 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 for 2022

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.

Members were informed of the following points:

- In March 2022 the Committee approved the Code of Corporate Governance. 4.2 of the Code requires the Committee to have an oversight of the arrangements and receive annual reports setting the Framework of Internal Control and Mapping Assurance prior to approving the Annual Governance Statement.
- Regulation 3 of the Accounts and Audit Regulations requires that the Council has a sound system of internal control to facilitate exercise of functions, achievements of aims and objectives and ensures effective financial and operational management, and includes effective arrangements for the management of risk
- Regulation 6 requires the Council to do an annual review, and to use it to prepare the Annual Statement of Governance.
- The Governance Framework sets out the framework of internal control 'what we think we do', and the assurance map shows the evidence available to show what we do.
- The Council works with three lines of assurance:
 - Operational
 - Specialist
 - Independent

Member's discussions included:

- The need for good communication. It was suggested that plain English be used to enable everyone including the public to understand any reports that are presented to Council. It was noted that a similar conversation had taken place with regional Chairs about how understandable our reports are for the public. Officers noted the suggestion and would take this back for further review.
- It was noted that the Chair had been invited to the Scrutiny Board (Strategy and Resources) to contribute to the Board's review of actions to reduce call waiting times.
- It was the view of the Committee that the reporting of risk should be more detailed.
- The Committee requested an item in relation to the Freedom to Speak Up Guardian be brought to a future meeting. It was acknowledged that this comes under the remit of Human Resources, and the Committee were advised that Human Resources would be bringing their annual report to Committee in February 2023. The responsibility for administering the whistleblowing arrangements remains with the Head of Audit and the Freedom to Speak Up Guardian would have a largely pastoral role.

RESOLVED - That the contents of the corporate governance framework and assurance map and the Interim Annual Governance Statement be noted.

24 Draft Statement of Accounts

The Chief Officer Financial Services submitted a report which presented the draft unaudited 2021/22 Statement of Accounts which would be made available on the Council's website for public inspection for thirty working days commencing Monday, 1st August 2022. 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:

- Responsibilities and timescales were noted as:
 - Draft Statement of Accounts to be approved by the S151 Officer,
 - Statutory deadline was set for 31st July which was met.
 - Publication for public inspection to be Monday 1st August. This would run for 30 working days. During this period members of the public can ask questions of the Council in relation to the figures presented and put questions to the External Auditors Grant Thornton. It was noted that if register as a voter in the Leeds area they can put objection to the figures to Grant Thornton who look into them and respond.
 - The external audit would be carried out by Grant Thornton, it is expected that the audit will start at the end of September 2022. When the audit is completed the final audited accounts will be brought back to the Committee for approval along with the report from Grant Thornton. It is expected that the final accounts will be brought back in February 2023.
 - It is proposed that briefing sessions will take place with Members prior to the statement of accounts being brought to the Committee for approval. It was suggested that the sessions take place in January.

The Head of Finance ran through the main issues arising from the statement of accounts which were set out at paragraph 3 of the submitted report. The officer provided specific details in relation to the increase in net worth of the Council, with one of the biggest factors being the decrease in the net pensions liability. It was noted that the pensions liability in the accounts did not affect future pension contributions, which would be determined by the triennial actuarial review. The results of the 31st March 2022 actuarial review were expected later in the year.

The Head of Finance updated Members in relation to the 2020/21 audit. The recent consultation by CIPFA on amending the accounting Code in respect of infrastructure assets had not resulted in an agreed way forward, and further proposals were expected in September. Members were advised that this may delay the finalisation of the council's 2020/21 audit and accounts beyond September. An additional briefing session on the 2020/21 accounts would be held before the Committee is asked to approve these accounts, for the benefit of Members new to the Committee.

Members expressed concerns in relation to the timescales for the audit of accounts to enable consideration of the audit outcome within preparation of the budget going forward.

Members were advised that the preparation of the budget took place in accordance with the recognised procedures including Executive Board, Scrutiny Boards, public consultation and approval by full council. The accounts set out the way in which spending has taken place in accordance with the budget. Members welcomed the proposed briefing sessions in relation to the accounts and acknowledged that external audit also provide progress report to each meeting of the Committee.

RESOLVED - To note the unaudited statement of accounts for 2021/22, which is to be certified by the Chief Finance Officer

25 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, with details of when items will be presented.

Appendix A of the submitted report set out the proposed items and dates.

RESOLVED – That the Work Programme be approved, as set out at Appendix A of the submitted report.

26 Date and Time of Next Meeting

The Chair consulted with the Committee Members in relation to changing the day of the meetings from Friday to Monday. The Committee agreed with this proposal.

Officers were requested to check the Council Calendar for suitable dates, inform Members and make the necessary arrangements.

The meeting concluded at 15:50