



Annual Report to Full Council

Corporate Governance and Audit Committee

2022/23

Annual Report of the Corporate Governance and Audit Committee 2022/23

Foreword by Councillor Paul Wray - Chair

I am delighted to introduce the annual report of Corporate Governance and Audit Committee, summarising the contribution the committee made during the 2022/23 Municipal Year to the achievement of good governance, effective internal control, and strong public financial management within the Council.

All Members of the committee bring a balanced, independent, and objective approach to business of the committee and I thank them for the contributions they have made. The committee has provided robust challenge and meaningful review of the Council's arrangements for risk, governance, and audit, and has:

- Overseen the production of the Annual Governance Statement.
- Reviewed and approved the Council's statutory accounts subject to completion of the external audit.
- Received regular updates and formal reports from the Council's External Auditor.
- Received and reviewed regular Counter Fraud Update Reports.
- Received and reviewed in detail assurance reports on the key aspects of the Council's internal control arrangements, including risk management, information governance and performance management, providing robust challenge to our arrangements and monitoring for areas in need of improvement; and
- Provided oversight to the Council's internal audit function, receiving the annual report and opinion alongside regular updates on progress against the internal audit plan, including follow up in relation to limited assurance reviews.

The committee continues to work hard with officers to understand and strengthen governance arrangements across the Council, and to ensure that risks are escalated appropriately.

During the year, the committee has built upon the cycle of internal control approach to officer reporting introduced in the 20/21 municipal year, with a continued focus on ensuring that governance arrangements are robust and that there is appropriate democratic oversight.

The committee continues to adopt a varied work programme, continuing to receive annual assurance reports to provide routine oversight of arrangements, but taking a flexible and agile approach, adapting to emerging issues and concerns.

ADD SIGNATURE

Chair Corporate Governance and Audit Committee 2022-23

1. INTRODUCTION

This annual report to full council demonstrates the importance the Council places on the authority's governance arrangements.

The Chartered Institute for Public Finance and Accountancy (CIPFA) describes the overall aim of good governance as:

'To ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities'

CIPFA Delivering Good Governance in Local Government Framework 2016 Edition (the Good Governance Framework)

Good governance is ultimately the responsibility of Full Council as the governing body of Leeds City Council. This report provides assurance as to the way in which Corporate Governance and Audit Committee has discharged its role to support Full Council in this responsibility. In addition, the report underpins the Annual Governance Statement, which is approved by the committee, and is provided to all Members.

In particular, the report on the work of the Council's Corporate Governance and Audit Committee demonstrates how the committee has:

- Fulfilled its terms of reference.
- Complied with national guidance relating to audit committees.
- Contributed to strengthening risk management, internal control, and governance arrangements.

2. COMMITTEE INFORMATION

Role of Corporate Governance and Audit Committee

The audit committee is appointed by Council to support the discharge of its functions in relation to good governance by providing a high-level focus on audit, assurance, and reporting.

CIPFA defines the purpose of an audit committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
2. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

Audit Committees – Practical Guidance for Local Authorities and Police (2018)

The Terms of Reference for the Corporate Governance and Audit Committee are reviewed regularly against current regulations, CIPFA position statement and guidance for audit committees and best practice in comparable authorities.

The core functions of the committee, reflected in its Terms of Reference, are to:

- Consider the Council's arrangements relating to the Accounts.
- Consider the Council's arrangements relating to external audit requirements.
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance.
- Review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management).
- Consider the Council's arrangements relating to internal audit requirements.

Membership

The committee has seen a significant change in membership for the 2022/23 municipal year, with 4 elected members new to the committee along with the independent member appointed for the final meeting of the previous year.

For the 2022/23 municipal year there were nine elected members and one non-voting independent member appointed to the committee:

- Councillor Paul Wray (Labour) (Chair)
- Councillor Paul Truswell (Labour)
- Councillor Gohar Almas (Labour)
- Councillor Mirelle Midgley (Labour)
- Councillor Jane Dowson (Labour)
- Councillor John Illingworth (Labour)
- Councillor Ryk Downes (Liberal Democrats)
- Councillor Peter Harrand (Conservative)
- Councillor J Shemilt (Conservative)
- Councillor Billy Flynn (Conservative)
- Linda Wild (Independent Member)

Independence of the committee.

As a Council appointed committee, Corporate Governance and Audit Committee is appointed in accordance with the requirements for proportionality but, in line with CIPFA guidance and best practice, strives for political neutrality.

Linda Wild was appointed by Council in February 2021 as a non-voting Independent Member to the committee. The introduction of an independent member to the committee has enhanced the independence of the committee as it discharges its functions. In addition, the professional audit experience and knowledge of its independent member, give depth and insight to the robust challenge the committee provides in considering the assurances received.

Knowledge and Skills Framework

Members bring with them a range of knowledge and skills from their working life and elected representative roles to the work of the committee. The skills and knowledge of the committee are further complemented by those of the Independent Member, who has brought with her a wealth of knowledge and experience in an audit setting and applies this knowledge, skill, and experience to Leeds City Council.

A programme of development has been undertaken during the year to ensure that new members of the committee have the necessary knowledge and skills to discharge the functions of the committee. In view of the significant change in membership an introductory session was provided on the role and functions of the audit committee prior to the first meeting of the Municipal Year.

Further briefings have been provided to the committee to ensure that all Members remain up to date and informed to enable fulfilment of the committee's role.

As in previous years, the Chief Finance Officer provided training to the committee in preparation for their examination of the Accounts.

The External Auditor routinely provides briefing notes providing sector updates and presented an in depth briefing in relation to the role of external audit in Local Government, the Redmond Review of local authority financial reporting and external audit, and the external audit requirements arising from the new Value for Money arrangements.

The committee looks forward to participating in further development opportunities over the 2023/24 municipal year.

Operation of the committee

The committee has met on six occasions during the year with meeting dates structured around the receipt of annual assurance reports, external and internal audit reporting cycles, and the statutory requirements for production of the Accounts and Annual Governance Statement.

This frequency of meetings ensures the committee can fulfil its responsibilities in an efficient and effective way and has been benchmarked¹ against the CIPFA recommended practice and arrangements in other local authorities.

In the municipal year 2022/23, all Committee meetings were held in person and live streamed webcasts made available for members of the public and press to provide access to these meetings for those who are unable to attend in person.

The committee is supported by several officers who attend regularly and bring expertise in relation to corporate governance, internal audit, finance, legal compliance, risk and resilience and information governance.

3. COMMITTEE BUSINESS

The work undertaken by the committee to support their approval of the Annual Governance Statement and Accounts, and in furtherance of the core functions of audit committees identified by CIPFA, is summarised in this section. (A complete list of the reports considered by the committee can be found at the end of this report.)

¹ Benchmarking took place during the 2018/19 municipal year.

The Accounts and Annual Governance Statement

Council has delegated to the committee the authority to approve the Council's Annual Governance Statement and the audited Statement of Accounts on behalf of the Council.

The committee considered the interim Annual Governance Statement in July 2022 prior to its publication for the formal period of public consultation and went on to approve the Council's Annual Governance Statement for 2021/22 in October 2022 following receipt of the Head of Audit's Opinion.

As a result of consideration of the Annual Governance Statement the Committee requested an item related to the Freedom to Speak up Guardian. The Committee was advised that this was in the remit of Human Resources and this request will be incorporated in the in 2023/24 Work Programme of the Committee as part of the Human Resources update.

Members also received an overview and detailed explanation of the Council's Accounts prior to the item being brought to Committee to ensure that Members were satisfied with the methodology used and had all relevant information available to ensure the Members to be satisfied with the account when the item was raised at the Committee.

External Audit

The committee plays a significant role in overseeing the Council's relationship with its external auditors and takes an active role in reviewing the external audit plan, progress reports and annual report setting out the findings of the Value for Money Review. Grant Thornton UK LLP is the Council's current appointed auditor.

In July 2022, the Committee received the draft unaudited Statement of Accounts for 2021/22. The draft accounts were approved by the Chief Officer – Financial Services within the statutory deadline of 31st July and were made available on the Council's website for public inspection from 1st August 2022 for 30 days. The Committee were informed of a national issue regarding the valuation of infrastructure assets which would prevent any further local authority audits from being completed until it was resolved. This therefore delayed Grant Thornton UK LLP in completing the audit of the 2020/21 final accounts. Following a statutory override, the Committee received the final audited accounts for 2020/21, and Grant Thornton's audit report on them, at the February 2023 Committee. The Committee approved the account on behalf of the Council.

In October 2022 and March 2023 Committee received Grant Thornton's reports on the VFM arrangements in the Council for 2020/21 and 2021/22 respectively. Both reports did not identify any statutory or key recommendations but do instead make a number of lower priority recommendations for improvement.

The Committee were also informed that the collection of Business Rates was recovering following the Covid-19 pandemic yet was still to achieve pre-Covid-19 collection rates. It was observed in the Auditor's annual report on Leeds City Council, received at Committee, March 2023, that the Council should continue to consider the adequacy of its General Fund Reserves.

Officers' proposed responses to Grant Thornton's 2021/22 Audit Risk Assessment Enquiries were presented for consideration and agreed by the Committee at the October 2022 meeting. This process contributed to an effective two-way communication between the Committee and the External Auditors.

During the year, the Committee has received regular reports and verbal updates from the external auditor setting out progress against the external audit plan for the 2021/22 accounts. Grant Thornton's audit report on the Council's IT Controls for 2021/22 was

presented at the March 2023 meeting of the Committee. It is anticipated that the final audit report for the 2021/22 accounts will be received during 2023.

It was acknowledged that there was a need for Grant Thornton to progress towards reinstating a more standard reporting cycle for the Council's accounts. It is anticipated that the Committee will formally receive the external report setting out findings of 2022/23 Value for Money review in November 2023, and Audit Report for 2022/23 Accounts in February 2024. The committee looks forward to continuing to work with the external auditors; considering the responses of management to audit recommendations and ensuring that appropriate actions are agreed and implemented.

Internal Control

The committee has responsibility for monitoring the effectiveness of the Council's system of internal control and management of corporate risks.

Through robust consideration of annual assurance reports² in relation to a wide range of internal controls the committee has obtained assurance that relevant systems and processes are documented and defined; clearly communicated; effectively embedded; meaningfully monitored; and reviewed and refined. For example, the committee received assurances in relations to:

- Governance arrangements of the Leeds Best City Ambition and review of strategic framework.
- Estate Management Arrangements.

In addition to the receipt of regular update, and routine assurance reports, the committee seeks assurance in relation to significant matters relating to governance, audit, and risk. Reports have been received providing assurance in relation to:

- Governance arrangements within Information and Digital Services, providing assurances that these arrangements were up to date, fit for purpose, effectively communicated, and routinely complied with. The arrangements set out provided a framework for transparent and accountable decision making within IDS in accordance with the Council's Corporate Governance Code and Framework.

Procurement update of the Procure to Pay (P2P) Review providing members with assurance that there is continued focus on improving contract management and developing best contract management practice across the Council. Members noted that the main aim was to secure a system which integrated with other Council systems, this would make the P2P process more effective, efficient and save on resources.

Internal Audit

The Committee works closely with the internal audit function, both overseeing the independence and effectiveness of the service, and receiving assurance from the service as to the adequacy and effectiveness of the Council's internal control environment.

The Committee has received and considered regular reports from the Head of Audit throughout the year providing updates on progress against the 2022/23 Internal Audit Plan, together with information relating to the wider work of the Internal Audit section.

² Detailed in Appendix A

The Committee are advised of the outcomes of every internal audit review, with greater depth, and follow up reviews, provided in relation to reviews resulting in limited assurance.

During the 2022/23 municipal year the Committee has considered three reviews identifying limited assurance. These reviews were completed in primary schools and identified weaknesses in effective challenge over budget setting and monitoring, compliance with procedures for creditor payments and the management of the School Voluntary Fund. In all instances, the recommendations made were accepted and follow-up audits are scheduled for the 2023/24 audit year to determine the implementation of the recommendations raised.

Follow-up work was also completed against limited assurance reviews from the 2021/22 annual audit plan in the following areas to determine whether there had been effective implementation of recommendations:

- Deprivation of Liberty Safeguards (DoLS). This follow-up review received a Substantial Assurance Opinion for the Control Environment. We were able to determine that improvements had been made to the DoLS process and necessary administrative stages.
- Payments to Providers of Home Care. An Acceptable Assurance Opinion was provided for the Control Environment in relation to payments made for services provided to mental health service users. A framework contract had been procured for all providers of services to working age adults which at the time of the review was yet to be introduced. During the review period, control weaknesses remained in the availability of documentation to support the decision process to broker care packages.

In addition to regular audit updates, the committee now receives focussed bi-annual update reports in relation to anti-fraud and corruption controls. During the year, these reports have presented details on both proactive and reactive work undertaken by the service.

Following receipt and consideration of the June and November update reports the Committee:

- Acknowledged that a Counter Fraud training package had been uploaded to the Council's training platform (PALs). At time of the report 240 people had completed this training.
- Acknowledged that proactive work with the National Fraud Initiative (NFI) exercise had resulted in the identification of 19 errors resulting in the recovery of £35k.
- Endorsed the Anti Money Laundering Policy.
- Endorsed the Anti Money Laundering Policy on a Page document.

The committee also receives a wide range of assurance in relation to the soundness of the council's arrangements through the reporting of Internal Audit work in addition to the formal reviews undertaken, for example

- Attendance at Core Business Transformation project board, development of financial dashboards, providing assurance in respect of procurement and risk management processes.
- Attendance at Adults and Health Income Recovery Board. Monitoring progress in the achievement of Budget Action Plans.
- Homes for Ukraine. Attendance across various groups to oversee the administration of payment to both sponsors and families under the Homes for Ukraine scheme.

- Consulting on the review of the Council's Contracts Procedure Rules and Financial Regulations.
- Attendance at groups within Adults and Health that have been set up to deliver a key area of transformation for the service.
- Ongoing work to provide support and challenge to the Information and Digital Service in the development of new arrangements for the management of ICT projects.
- The implementation and monitoring of a Recommendation Tracker for the high and medium level recommendations raised through the audit review process.

Internal Audit attendance at the various groups and boards throughout the 22-23 year has provided our directorate colleagues with valued independent insight and assurance on the work that is being considered and undertaken. From the independent nature of the Internal Audit role, officers are also able to undertake the role of a "critical friend" and ask questions of a group or project to ensure that consideration has been given to risk and control. The use of the Recommendation Tracker is being adopted by Directorates and will provide assurance on the continual improvement of the control environment, ensuring that recommendations made through the Internal Audit process are being considered and implemented where applicable.

In October 2022, the Committee received and considered the Internal Audit Annual Report and noted a satisfactory overall opinion for 2021/22. The Committee was satisfied 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.

The committee reviewed and agreed the annual risk-based audit plan for the 2023/24 year in March 2023.

4. LOOKING FORWARD

The Committee has approved the work programme for the 2023/24 municipal year setting out the receipt of regular update reports and annual assurance reports.

Through the continuing receipt of regular reports Corporate Governance and Audit Committee will provide the usual level of robust challenge to corporate governance and audit practice and procedure across the authority to ensure that our arrangements are up to date and fit for purpose, communicated, embedded, and routinely complied with.

In addition to the routine business the committee have requested specialised assurance reports in relation to:

- The governance arrangements in place for the implementation of new systems and their interface with existing Council systems.

The work programme will be the subject of regular review, and the committee will remain flexible in its approach, to accommodate additional items within its remit as they emerge. As in the last municipal year, the committee will request and consider reports in relation to relevant matters which come to our attention during the year.

During the 2023/24 municipal year, the Committee is looking forward to furthering opportunities for joint working between the Committee and the Scrutiny Board for Strategy and Resources.

Corporate Governance and Audit Committee Activity 2022/23

Statutory Business	June 2022	July 2022	Oct 2022	Nov 2022	Feb 2023	Mar 2023
Statement of Accounts 2020/21		Draft			Approved	
Annual Governance Statement		Interim	Approved			
Internal Audit Annual Report and Opinion			X			
External Auditors Annual Report and Value for Money Findings 2020/21.			X			
External Auditor Audit Plan 2021/22			X			
Annual operational and specialist assurance reports	June 2022	July 2022	Oct 2022	Nov 2022	Feb 2023	Mar 2023
Annual Decision-Making Statement of Internal Control	X					
Annual Report of Corporate Governance and Audit Committee	Draft					
Annual Procurement Assurance Report 2021/22		X				X
Annual Assurance – Planning Regulation and Enforcement Arrangements			X			
Annual Report – Financial Planning and Management Arrangements				X		
Annual Report on Corporate Performance Management Arrangements				X		
Annual Assurance on Corporate Risk and Resilience Arrangements				X		
Annual Information Governance Report, including the annual report of the Caldicott Guardian					X	
Decision-making Statement of Internal Control (Integrated Digital Services)					X	
Annual Assurance Report in Relation to Employment Policies and Employee Conduct					X	
Independent Assurance – Statutory Business						
Internal Audit Update Report	X		X		X	
Internal Audit Plan 2023/24						X
External Auditors Audit Risk Assessment Enquiries 2021/22			X			

Statutory Business	June 2022	July 2022	Oct 2022	Nov 2022	Feb 2023	Mar 2023
External Auditors Annual Report and IT Audit Report 2021/22						X
Counter Fraud Update Report	X			X		
Additional reports received in accordance with terms of reference	June 2022	July 2022	Oct 2022	Nov 2022	Feb 2023	Mar 2023
Governance arrangements for implementation of the Leeds Best City Ambition	X					
Statement of Internal Control in Relation to Estate Management						X
Work Programme	X	X	X	X	X	X