



## CORPORATE GOVERNANCE AND AUDIT COMMITTEE

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Meeting to be held in Civic Hall, Leeds, LS1 1UR on  
Monday, 26th June, 2023  
at 10.30 am

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### MEMBERSHIP

#### Councillors

G Almass	C Hart-Brooke	B Flynn
J Dowson		T Smith
H Bithell		
M France-Mir (Chair)		
J Heselwood		
P Wray		

#### Independent Member

Linda Wild

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**Agenda compiled by:  
Governance Services  
Civic Hall**

Debbie Oldham

# A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 15.2 of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).</p> <p>(*In accordance with Procedure Rule 15.2, written notice of an appeal must be received by the Head of Governance Services at least 24 hours before the meeting)</p>	
2			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p><b>RESOLVED</b> – That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:-</p>	

Item No	Ward	Item Not Open		Page No
3			<p><b>LATE ITEMS</b></p> <p>To identify items which have been admitted to the agenda by the Chair for consideration</p> <p>(The special circumstances shall be specified in the minutes)</p>	
4			<p><b>DECLARATION OF INTERESTS</b></p> <p>To disclose or draw attention to any interests in accordance with Leeds City Council's 'Councillor Code of Conduct'.</p>	
5			<p><b>APOLOGIES FOR ABSENCE</b></p>	
6			<p><b>MINUTES OF THE PREVIOUS MEETING HELD ON 20TH MARCH 2023</b></p> <p>To Receive the minutes of the previous meeting held on 20<sup>th</sup> March 2023, for approval as a correct record.</p>	7 - 14
7			<p><b>MATTERS ARISING FROM THE MINUTES</b></p>	
8			<p><b>INTERNAL AUDIT UPDATE REPORT JANUARY TO MARCH 2023</b></p> <p>Members are requested to consider the report of the Chief Officer (Financial Services) which provides 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 January to March 2023. The report highlights the incidence of any significant control failings or weaknesses.</p>	15 - 44
9			<p><b>COUNTER FRAUD UPDATE REPORT OCTOBER - MARCH 2023</b></p> <p>Members to consider the report of the Senior Head of Audit, Corporate Governance and Insurance which provides a source of assurance that the internal control environment is operating as intended through a summary of the counter fraud activity for the period from October to March 2023.</p>	45 - 64

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10			<p><b>CIVICA CX (HOUSING): SYSTEM INTERFACES AND INTEGRATION</b></p> <p>To consider the report of the Chief Officer Housing and Chief Digital &amp; Information Officer which provides an update relating to the Housing ICT System (Civica CX) and how it integrates with other systems. This includes an update on the agreed workarounds and temporary arrangements that have been implemented, and what work is ongoing to continually improve the systems and integration.</p>	65 - 70
11			<p><b>ANNUAL REPORT OF CORPORATE GOVERNANCE AND AUDIT COMMITTEE</b></p> <p>To consider the report of the Chief Officer Financial Services which provides an assurance that the Corporate Governance and Audit Committee have discharged its duty in ensuring that the Committee complies with CIPFA's Position Statement: Audit Committees in Local Authorities and Policy.</p>	71 - 86
12			<p><b>CORPORATE GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME 2023-24</b></p> <p>To consider the report of the Chief Officer Financial Services which presents 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. Development and regular review of the work programme enables the Committee to manage the business appropriately in line with the risks currently facing the Council. This report also includes the proposed Member Development Plan for 2023-24 setting out arrangements to develop and extend the Committee's skills and knowledge in relation to care areas identified by CIPFA.</p>	87 - 98
13			<p><b>DATE AND TIME OF NEXT MEETING</b></p> <p>To not that the next meeting of Corporate Governance and Audit Committee is scheduled for 24<sup>th</sup> July 2023, at 10.30pm in Civic Hall.</p>	

Third Party Recording

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Recording of this meeting is allowed to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings. A copy of the recording protocol is available from the contacts named on the front of this agenda.

Use of Recordings by Third Parties– code of practice

- a) Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title.
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## 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, Wild, M Midgley,  
B Flynn and J Dowson

**INDEPENDENT  
MEMBER:**

### **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.

## Internal Audit Update Report January to March 2023

Date: 26<sup>th</sup> June 2023

Report of: Chief Officer (Financial Services)

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

This report provides 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 January to March 2023. The report highlights the incidence of any significant control failings or weaknesses.

The work of Internal Audit contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing the key priorities and Best City Ambition.

### Recommendations

The Corporate Governance and Audit Committee is asked to

- a) receive the Internal Audit Update Report covering the period from January to March 2023 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 January to March 2023.

## What is this report about?

- 1 The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements, including matters such as internal control and risk management. The Committee also considers the Council's arrangements relating to internal audit requirements, including monitoring the performance of Internal Audit.
- 2 This report provides the Committee with a summary of the Internal Audit activity for the period January to March 2023. The work of Internal Audit offers a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.
- 3 The report also includes information relating to the monitoring of urgent decisions which is included to enable timely consideration of these matters by Committee.

### Head of Internal Audit Opinion

- 4 The Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 5 Based on the audit work undertaken in the period, an overall adequate assurance opinion is considered to be appropriate. A summary of our quarterly opinions for the year to date is as follows:

	Update 1	Update 2	Update 3	Update 4
Assurance Opinion	Adequate	Adequate	Adequate	Adequate

- 6 Consideration of our overall opinion takes the following into account:
  - results from the substantive audit assignments we have completed during the period;
  - outcomes from our audit work not producing an assurance opinion;
  - an assessment as to the timely implementation of internal audit report management actions.

## What impact will this proposal have?

- 7 This report provides a source of assurance that the internal control environment is operating as intended. The report highlights the incidence of any significant control failings or weaknesses that would require the intervention of the Committee.
- 8 The work of Internal Audit contributes towards Leeds City Council achieving its key priorities and Best City Ambition.

## How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 9 The Internal Audit Plan provides assurances that span a range of themes including coverage across the council's three Key Pillars.



## What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?       Yes                       No

10 The Internal Audit Plan is developed in consultation with Members and senior management across the authority. Consultation around key risks and priorities continues throughout the year, and continual engagement with directorates is driven through the ongoing completion of audit assignments and the agreement of the associated recommendations.

## What are the resource implications?

11 The Internal Audit Plan includes a number of reviews that evaluate the effective use of resources and provide assurance on the corresponding financial governance, risk management and internal control arrangements.

12 The Internal Audit Update Report also provides the Committee with assurances around the effective use of Internal Audit resources through information pertaining to the delivery and completion of the annual plan.

## What are the key risks and how are they being managed?

13 The Internal Audit Plan is subject to review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process involves the review of information from a number of sources including the corporate and directorate risk registers. This process is supplemented with regular meetings between the Internal Audit and Risk Management functions.

14 The risks relating to the achievement of the Internal Audit Plan are managed through ongoing monitoring of performance and resource levels. This information is reported to the Committee.

## What are the legal implications?

15 The Chief Officer (Financial Services), as the council's Section 151 Officer, is responsible under the Local Government Act 1972, for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising her responsibility for financial administration.

16 The Public Sector Internal Audit Standards (PSIAS) require the Head of Audit to deliver an annual audit opinion and report that can be used by the council to inform its Annual Governance Statement. Each Internal Audit Update Report will provide a rolling quarterly opinion that will feed into the Internal Audit Annual Report and Opinion.

17 The Internal Audit Plan includes a number of reviews that provide assurances around the application of the statutory and constitutional framework.

## Options, timescales and measuring success

### What other options were considered?

18 The work of Internal Audit provides a key source of assurance to the Committee. Additional assurances are obtained through a range of further reports presented to the Committee throughout the year.

### **How will success be measured?**

- 19 Success can be measured through the delivery of the Internal Audit Annual Report and Opinion. Each quarterly update report will provide a rolling quarterly opinion that will reflect the work completed during the period.
- 20 Further performance measures and drivers are under continual review to ensure that relevant performance information is reported to the Committee throughout the year.

### **What is the timetable and who will be responsible for implementation?**

- 21 The Internal Audit Plan is in place and is approved annually by the Committee. The Head of Audit is responsible for delivery of the plan.

### **Appendices**

- A – Internal Audit Update Report – Assurance and Consulting Activities January – March 2023
- B – Internal Audit Update Report – Quality and Performance January – March 2023
- C – Monitoring of Urgent Decisions January – March 2023

### **Background papers**

- None



## **Appendix A**

### **Leeds City Council**

# **Internal Audit Update Report – Assurance and Consulting Activities**

**Corporate Governance and Audit Committee**

**26<sup>th</sup> June 2023**

## **INTERNAL AUDIT UPDATE REPORT 2022/23**

**1<sup>ST</sup> January 2023 to 31<sup>ST</sup> March 2023**

### **1 Purpose of this report**

- 1.1 This report provides the Committee with a summary of the work completed by Internal Audit during the period from 1<sup>st</sup> January 2023 to 31<sup>st</sup> March 2023. The work of Internal Audit offers a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

### **2 Internal Audit Plan Progress**

- 2.1 The work of Internal Audit is directed by the annual Internal Audit Annual Plan. This has been developed in line with the Public Sector Internal Audit Standards (PSIAS) and has been reviewed and approved by the Committee.
- 2.2 Throughout the audit year we will develop our Annual Assurance Opinion based upon:
- Work carried over from the previous year.
  - Work contained within the 2022/23 Internal Audit Plan that was approved by the Committee in March 2022.
  - Unplanned work undertaken in response to emerging risks and priorities.

### **3 Changes to the 2022/23 Internal Audit Plan**

- 3.1 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency. As risks and priorities change throughout the year, we may also alter the profile of the plan to ensure attention is focussed on areas of the highest risk in the most efficient and effective way. Our quarterly reports will provide the Committee with details of audits that have been deferred, added to or deleted from the audit plan, as agreed in conjunction with management. Below is a summary of material changes that have been made to the 2022/23 Internal Audit plan to date. Schools are excluded from this information due to the dynamic nature of this area of the plan.

Assurance Block	Movement
Directorate Risks – Adults & Health	<p>In this period we have been asked to provide assurance on the Weight Management Grant as the Head of Audit is required to sign off the grant return.</p> <p>We have removed the Recovery Service review as due to winter pressures limiting capacity for the service to support an internal audit review and the Directorate identifying this as a lower priority piece of work, this has been removed from the plan for 2022/23. We will include this for consideration in future audit plans.</p>
Directorate Risks – Children & Families	<p>In this period we have removed a number of reviews from the plan as our proposed work has been superseded by work being undertaken within the directorate and we have been able to obtain some valuable assurances from this.</p> <p>In particular, a Task &amp; Finish group set up by the Chief Officer – Financial Services in relation to increasing the number of foster carers within Leeds which the Principal Corporate Governance Manager has been part of. Therefore, we have removed our planned review of the Increase in Foster Carers.</p> <p>The recommendations made in the Ofsted report following their inspection were initially reported to the Children &amp; Families Recovery Board. The Delivery Board has replaced this. Both Boards include attendance from Internal Audit so progress on these recommendations has been monitored and will continue to be monitored through this forum, therefore we have removed the Ofsted Inspection review.</p> <p>We also intended to complete a review of Elective Home Education. However, discussions with the service identified that this would not add value as a new Vulnerable Learners Lead has recently been appointed who will be reviewing all processes within the team as part of the new role. It has been agreed with the service that we will provide independent assurance on the revised process by providing a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service redesign.</p>

Assurance Block	Movement
Other Directorate Risks – Communities, Housing and Environment	<p>In this period we have been asked to provide assurance on the Holiday Activities and Food Programme Grant and the Green Homes Grant LAD 2 as the Head of Audit is required to sign off the grant return.</p> <p>The plan for this year included a review of Housing Voids. However due to capacity issues in the service we agreed to defer this work to the 2023/24 audit plan and have brought forward the Housing Application Assessment audit that was included in the 2023/24 plan.</p> <p>A review of Poverty had been included in the 2022/23 audit plan, however this will now be considered as an area for review in 2023/24</p>

#### 4 Final Internal Audit reports issued

- 4.1 We have issued 13 audit reports during the period from 1<sup>st</sup> January 2023 to 31<sup>st</sup> March 2023.
- 4.2 Depending on the type of audit review undertaken, an assurance opinion may be assigned for the control environment, compliance, and organisational impact. The control environment opinion is the result of an assessment of the controls in place to mitigate the risk of the objectives of the system under review not being achieved. A compliance opinion provides assurance on the extent to which the controls are being complied with. Assurance opinion levels for the control environment and compliance are categorised as follows: substantial (highest level); good; acceptable; limited and no assurance.
- 4.3 Organisational impact is reported as either: major, moderate, or minor depending on the severity of the issues identified within the audit. Any reports issued with a major organisational impact will be reported to the Corporate Leadership Team along with the relevant directorate’s agreed action plan.
- 4.4 The following table provides a summary of the reports issued during the period from 1<sup>st</sup> January 2023 to 31<sup>st</sup> March 2022 along with the assurances provided where applicable.

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
<b>Finance and Key Financial Systems</b>				
Housing Rents	Acceptable	N/A	Minor	Financial Management, Performance Management, Legislative / Regulatory Compliance, Governance & Decision Making, Risk & Resilience, Value for Money, Anti-Fraud and Corruption
Lettings Follow Up	Good	N/A	Minor	Performance Management
<b>Other Directorate Risks – City Development</b>				
Anti-money laundering arrangements for Land & Property	N/A – Memo			Anti-Fraud and Corruption
<b>Other Directorate Risks – Resources</b>				
Organisational Culture	Acceptable	N/A	Moderate	Human Resource Management, Risk & Resilience, Ethics & Culture, Consultation & Engagement, Equality, Diversity & Inclusion
<b>Other Head of Audit Assurances</b>				
Weight Management Grant	N/A - Memo			Performance Management, Financial Management, Anti-Fraud and Corruption
Families First Grant Earned Autonomy December 2022	N/A – Memo			Performance Management, Financial Management, Anti-Fraud and Corruption
Families First Grant Earned Autonomy February 2023	N/A - Memo			Performance Management, Financial Management, Anti-Fraud and Corruption

Report Title	Audit Opinion			Assurance Themes
	Control Environment Assurance	Compliance Assurance	Organisational Impact	
<b>Schools</b>				
School Voluntary Fund x 4	N/A certification of account balances			Financial Management
Primary School Audit 1	Acceptable	Limited	N/A	Financial Management, Anti-Fraud and Corruption, Risk and Resilience, Governance & Decision Making.
Primary School Audit 2	Substantial	Good	N/A	Financial Management, Anti-Fraud and Corruption, Risk and Resilience, Governance & Decision Making.

## 5 Summary of Audit Activity and Key Issues

5.1 During the reporting period, there have been no limitations to the scope, and nothing has arisen to compromise our independence.

### Highlights

5.2 Following a request from the Chief Executive, we carried out a review looking at the culture of the organisation, with a specific focus on the arrangements in place to embed the council's values and behaviours across areas of activity. The audit has identified a range of positive actions taken to engage with the workforce in an effort to develop a 'Team Leeds' ethos. It is clear that there is an increasing focus on Equality, Diversity, and Inclusion (EDI) and an effort to set the tone through strong leadership and management wrapped up within the 'Be Your Best' offer. There are various activities that seek to establish how employees feel, and the appointment of the Freedom to Speak Up Guardian reflects a positive and sector leading approach to giving everyone a voice and reinforcing the importance of the values and behaviours.

5.3 Our overriding view from the audit is that the many positive actions that are being undertaken reflect well on the council's efforts to establish a healthy culture where people will enjoy their work and feel valued for what they do. It remains a challenge to achieve consistency in such a vast and continually evolving organisation, and the audit highlights opportunities to further strengthen the wealth of actions that have already been initiated. Work is ongoing to further embed these and bring



the values to life, and recommendations have been agreed with various key contacts in the organisation. The upcoming staff survey results will be key to providing helpful feedback on the culture and the areas in which further action is required, and time is set aside for us to carry out further work over the course of the next year.

#### Limited or No Assurance Opinions

- 5.4 Of the audit reviews finalised during the period, no weaknesses have been identified that would result in “major” organisational impact and no reviews have been issued with no assurance opinions.

#### *Primary School*

- 5.5 One primary school audit resulted in a limited opinion being provided for compliance with controls. The main weaknesses were around compliance with procedures for creditor payments and the management of the school voluntary fund. The Headteacher agreed to implement all the recommendations raised during the audits and the implementation of these will be reviewed as part of follow up audits in 2023/24.

#### Follow Up

- 5.6 Our protocols specify that we undertake a follow up review where we have previously reported “limited” or “no” assurance for the audited area.

#### *Lettings Follow Up*

- 5.7 In 2020-21 the Lettings audit was issued where a limited opinion was given for the control environment for one objective. The main weaknesses were around quality and performance management. The Lettings Follow Up audit was completed and issued in January 2023 with Good assurance for the Control Environment. The recommendations made have been largely implemented but were still to be fully embedded at the time of the review.

## **6 Recommendation Tracking**

- 6.1 As discussed with the committee over the course of the last year, we have been introducing a process aimed at tracking the implementation of high and medium priority recommendations raised within our audit reports. This work is key to helping us understand where controls have been strengthened following our audits and also highlighting areas where we may want to re-visit the activity to ensure actions are being progressed appropriately.

6.2 Whilst the recommendation tracking process still requires some further embedding, we are seeing some positive trends in the number of recommendations recorded as implemented or in progress. As referenced in Appendix B, our Quality Assurance and Improvement Programme includes actions aimed at automating the process of gathering data on implementation, and we are also working on smarter ways of reporting on the information in response to feedback provided by Members. Detailed recommendation tracking information will be incorporated in our Annual Report and Opinion, and will be included within the Update Reports to the Committee thereafter.

## 7 Other Audit Work

Audit Work Completed	Details	Contribution to assurance
Children and Families – Families First Grant Validation	Grant claim validation work carried out to support the Directorate.	We were able to confirm the validity of the claim. The work contributes to assurances in respect of financial management and governance.
Core Business Transformation – Work Packages	Provision of support to various work streams within Financial Services that have been set up to ensure that working practices are fit for purpose and in preparation for the introduction of the new core system.	We have continued to work alongside financial services on the continuing development and evolution of a range of financial dashboards. The work contributes across a range of assurances including financial management and control, risk management, governance and decision making and business innovation.
Core Business Transformation – Programme Assurance	Ongoing work to provide review, advice and challenge to the Programme Board including oversight and advice around risk and contract management.	We have continued to provide assurance in respect of the procurement and risk management process including the provision of regular reports to the Programme Board. The work contributes across a range of assurances including financial management and control, risk management, governance and decision making, programme management and contracts and procurement.

Audit Work Completed	Details	Contribution to assurance
Contracts Procedure Rules Review	Contribution to the regular review of the council's Contracts Procedure Rules.	We have continued to work with PACS looking at the ongoing development of user-friendly and proportionate Contracts Procedure Rules. This work is vital to ensuring that arrangements are in place to support the authority in meeting legal and regulatory requirements.
General audit queries and advice issued	Over the course of the recent period, we have received and responded to a number of queries and requests for advice from departments and service areas. These have covered a range of themes and areas, with a significant number relating to financial controls and decisions in schools.	The work contributes to assurance in a range of areas, in particular governance and decision making and financial control. The dialogue with service areas demonstrates how respected and valued the Internal Audit service is. It also provides a level of procedural oversight and a source of intelligence to feed into the audit planning process.
Income Recovery Board	Attendance at the Adults & Health Programme Board overseeing various ongoing developments looking at maximising client contributions.	We provide a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service redesign.  Attendance at these meetings also enables us to build intelligence and have greater insight regarding emerging risks.
Adults & Health Budget Review Group	Attendance at a group within Adults & Health that has been set up to monitor progress in the achievement of Budget Action Plans.	This provides us with valuable oversight of progress against Budget Action Plans within the directorate, including the agreement of actions taken where risks to delivery are identified. This also enables us to understand risks and challenges faced by the service that we feed into our audit planning process.

Audit Work Completed	Details	Contribution to assurance
Information Governance Policy Review Group	Attendance at a group set up to review existing information governance policies and protocols.	This enables us to provide support and advice around the policies under review, also offering valuable oversight around the risk management process.
Adults & Health Transformation Programme	Attendance at groups within Adults & Health that have been set up to deliver a key area of transformation for the service.	We provide a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service redesign.
Adults & Health Care Reform	Attendance at the programme board overseeing developments required by the Health and Care Act 2022	We provide a check and challenge role to support the service and ensure that potential risks and control weaknesses are highlighted and considered in the service design.
Project Management	Ongoing work to provide support and challenge to the service in the development in the new arrangements for the management of ICT projects.	We have worked alongside IDS on the development of the new arrangements for managing programmes and projects. The work contributes across a range of assurances including project and programme management, governance and decision making and business innovation.
External Residential Payments	An audit to provide assurance that the most appropriate setting has been made to meet the needs of the child whilst also achieving value for money for the Council.	<p>We commenced a review of external residential placements within the directorate. Subsequent to this as part of the Children &amp; Families Delivery Board work, the service has commenced their own Brokerage Review looking at the overall placement process. This includes the work being carried out as part of the review.</p> <p>Discussions have been held with the service and it has been agreed that the proposed review will be closed. Instead we will provide a check and challenge role through attendance at</p>

Audit Work Completed	Details	Contribution to assurance
		the Children & Families Delivery Board and supporting the individual workstreams as required to ensure that potential risks and control weaknesses are highlighted and considered.

## 8 Other Audit Activities

Audit Activity	Description
Client Liaison Activities	Provision of professional advice to officers, including client liaison activities that promote the work of Internal Audit, and to reinforce the importance of robust controls and good governance. This liaison activity also enables us to build intelligence and have greater insight regarding emerging risk.
Board, committee and working group attendance	<p>Attendance at various boards, committees and working groups including Directorate and Service Leadership Teams. Key groups are included in the table above.</p> <p>Attendance at these meetings enables us to provide a 'critical friend' role, supporting the services to ensure appropriate governance, decision making and financial control. Where services are being redesigned, we are able to ensure that potential risks and control weaknesses are highlighted and considered by the service. Attendance also enables us to build intelligence and have greater insight regarding emerging risk.</p>
Corporate Governance and Audit Committee support	Drafting reports and attending meetings of the Corporate Governance and Audit Committee. Responding to member queries.
Audit and Risk Updates	Regular meetings between the Head of Audit and the Intelligence and Policy Service to share information around a number of areas that contribute to the risk management process.

## 9 Work in Progress

9.1 The following table provides a summary of audits in progress at the time of producing this report:

Assurance Block/ Audit Assignment	Fieldwork in Progress	Draft Report	Finalisation
Adults & Health – Debt Recovery			✓
Adults & Health – Deputy & Appointeeships			✓
Adults & Health – CIS Payments	✓		
Children & Families – Special Educational Needs Follow Up		✓	
Children & Families – No Recourse to Public Funds Follow Up		✓	
ICT & Information Governance – Privileged User Access Follow Up			✓
ICT & Information Governance – Data Management			✓
ICT & Information Governance – Data Protection Impact Assessment Follow Up	✓		
ICT & Information Governance – Workforce Planning	✓		
ICT & Information Governance – Cyber Security	✓		
Procurement – Management of Off-Contract Expenditure in Parks and Countryside			✓
Other Directorate Risks – Management of post-covid service backlogs	✓		
Other Directorate Risks – Business Continuity	✓		

<b>Assurance Block/ Audit Assignment</b>	<b>Fieldwork in Progress</b>	<b>Draft Report</b>	<b>Finalisation</b>
Other Directorate Risks – Risk Management		✓	
Other Directorate Risks – Homes of Multiple Occupancy			✓
Other Directorate Risks – Supported Living Accommodation			✓
Other Directorate Risks – Civica CX Housing System	✓		
Finance and Key Financial Systems – Income Management System		✓	
Finance and Key Financial Systems – Orders & Invoice Processing		✓	
Finance and Key Financial Systems – Budget Monitoring and Control		✓	
Finance and Key Financial Systems – Connect	✓		
Finance and Key Financial Systems – Business Rates	✓		
Finance and Key Financial Systems – Creditors – Invoicing System Implementation	✓		
Green Homes Grant LAD 2	✓		
Holiday activities and food programme grant	✓		
Primary school audit	✓		
School Voluntary Fund Audits x 3	✓		

## **10 Counter Fraud and Investigations**

- 10.1 The Corporate Governance and Audit Committee receives a separate report summarising the general activities and work plan of the Internal Audit Counter Fraud Team, including both proactive work and fraud and irregularity investigations undertaken.





## **Appendix B**

### **Leeds City Council**

# **Internal Audit Update Report – Quality and Performance**

**Corporate Governance and Audit Committee**

**26<sup>th</sup> June 2023**

## INTERNAL AUDIT UPDATE REPORT 2022/23

1<sup>ST</sup> January 2023 to 31<sup>ST</sup> March 2023

### 1 Purpose of this report

- 1.1 This report provides the Committee with a summary on the various activities that provide assurance on the performance and quality of our work along with the continuous improvement of the section.

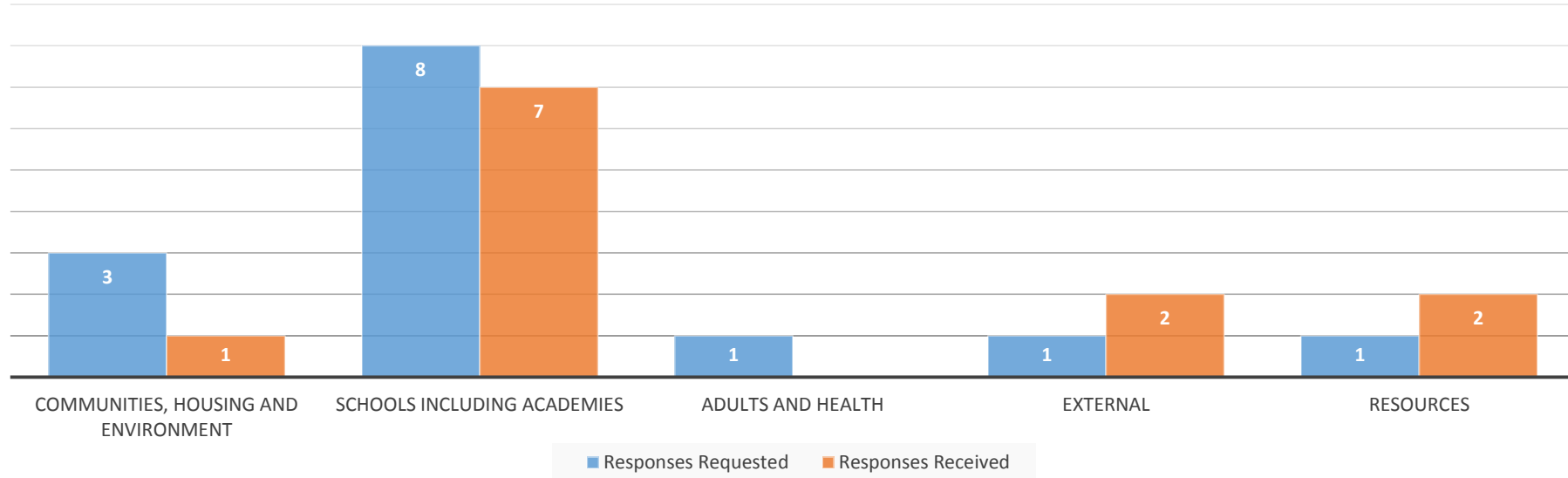
### 2 Internal Audit Performance

#### *Feedback*

- 2.1 We actively monitor our performance in a number of areas and encourage feedback. A customer satisfaction questionnaire (CSQ) is issued with every audit report. Our approach to gathering feedback has involved asking for the auditee's opinion on a range of issues and ask for an assessment ranging from 5 (for excellent) to 1 (for poor). Over the course of the year, the results from these have been presented as an average of the scores received for each question. The results of the questionnaires are reported to the Audit Leadership Team and used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff.
- 2.2 In response to member feedback, we have continued to look at ways of maximising CSQ feedback, and this has been an action within our Quality Assurance and Improvement Programme for some time. We have taken various steps including imposing a fixed deadline by which we would expect feedback to be returned, and we implemented a chasing process where this is not achieved. We now report on the number of CSQs that have been issued and returned within the specific reporting period.
- 2.3 We have also benchmarked our arrangements against other core cities and reviewed the questions that we ask. This has led us to rationalising the number of questions posed in our CSQs in order to maximise the value added by the survey and encourage a swift and efficient response. The new approach has been used from the start of the new financial year, and the results of these will be reported within future Update Reports.

2.4 For the period from 1<sup>st</sup> January 2023 to 31<sup>st</sup> March 2023 we issued a total of 15 Customer Satisfaction Questionnaires using the previous format, and received 11 completed returns at a response rate of 73% in the period. Results can be seen below.

### Customer Satisfaction Questionnaires by Assurance Block



2.5 Below is a summary of comments we have received from services that have completed the CSQs.

“The working relationship with the auditors is excellent overall and they have a good understanding of the processes and the challenges.”

“It was well communicated and service views were obtained , understood and incorporated into the final report”

“I particularly liked the approach of the auditors who made the whole process very easy to engage with. I felt a lot of consideration was given to the gathering information in a workable way and this was much appreciated.”

2.6 A summary of the scores is presented in the table below.

Question	Average Score (out of 5)	Max Value	Min Value
Sufficient notice was given	4.86	5.00	4.00
Level of consultation on scope	4.63	5.00	3.00
Auditor's understanding of systems	4.33	5.00	3.00
Audit was undertaken efficiently	4.25	5.00	1.00
Level of consultation during the audit	4.56	5.00	4.00
Audit carried out professionally and objectively	4.58	5.00	3.00
Accuracy of draft report	4.50	5.00	4.00
Opportunity to comment on audit findings	4.88	5.00	4.00
Clarity and conciseness of final report	4.50	5.00	4.00
Prompt issue of final report	4.42	5.00	3.00
Audit recommendations will improve control	4.22	5.00	3.00
The audit was constructive and added value	4.17	5.00	2.00
<b>Overall Average Score</b>	<b>4.49</b>		

### 3 Quality Assurance

- 3.1 Internal Audit work is undertaken in accordance with internal quality procedures incorporated in the quality management system, which has been ISO (International Organisation for Standardisation) certified since 1998. In November 2022 following the external assessment our ISO Quality Management System certification was renewed. This provides assurance that our quality management system continues to meet the requirements of the ISO (9001:2015) standard and is demonstrating continual improvement.
- 3.2 We have established Quality Assurance procedures within the Internal Audit team. This includes a Quality and Operational Review Group (QORG) that meet to identify and champion improvements in performance and working practices. As part of this process, the Quality Assurance and Improvement Programme (QAIP), which is a requirement of the Public Sector Internal Audit Standards, is in place to bring together our commitment to continually reviewing and improving the way we deliver our internal audit service and embed our quality system.

Action	Timescale and Status
Assurance mapping will continue to be developed to support the annual audit planning process.	Ongoing – this work is being taken forward and being developed through our annual audit planning process ahead of being rolled out across the teams.
Internal Audit Performance Monitoring – internal performance measures, including KPIs, have been reviewed to support and drive completion of the annual audit plan.	Ongoing – Further work is being undertaken with the aim of reviewing performance measures and producing meaningful information for the committee.
Internal Audit Reporting Protocols – to update and streamline directorate reporting protocols to drive timely completion of audit reports.	Ongoing – We are continuing to look at the most effective ways of developing and embedding our up-to-date audit protocols.
Internal Training Programme – to identify and address relevant training areas across the team.	Complete – A Staff Skills Matrix has been developed and an action plan has been agreed. This will be used in 1:1s and appraisals to address any areas for development within the Internal Audit team.

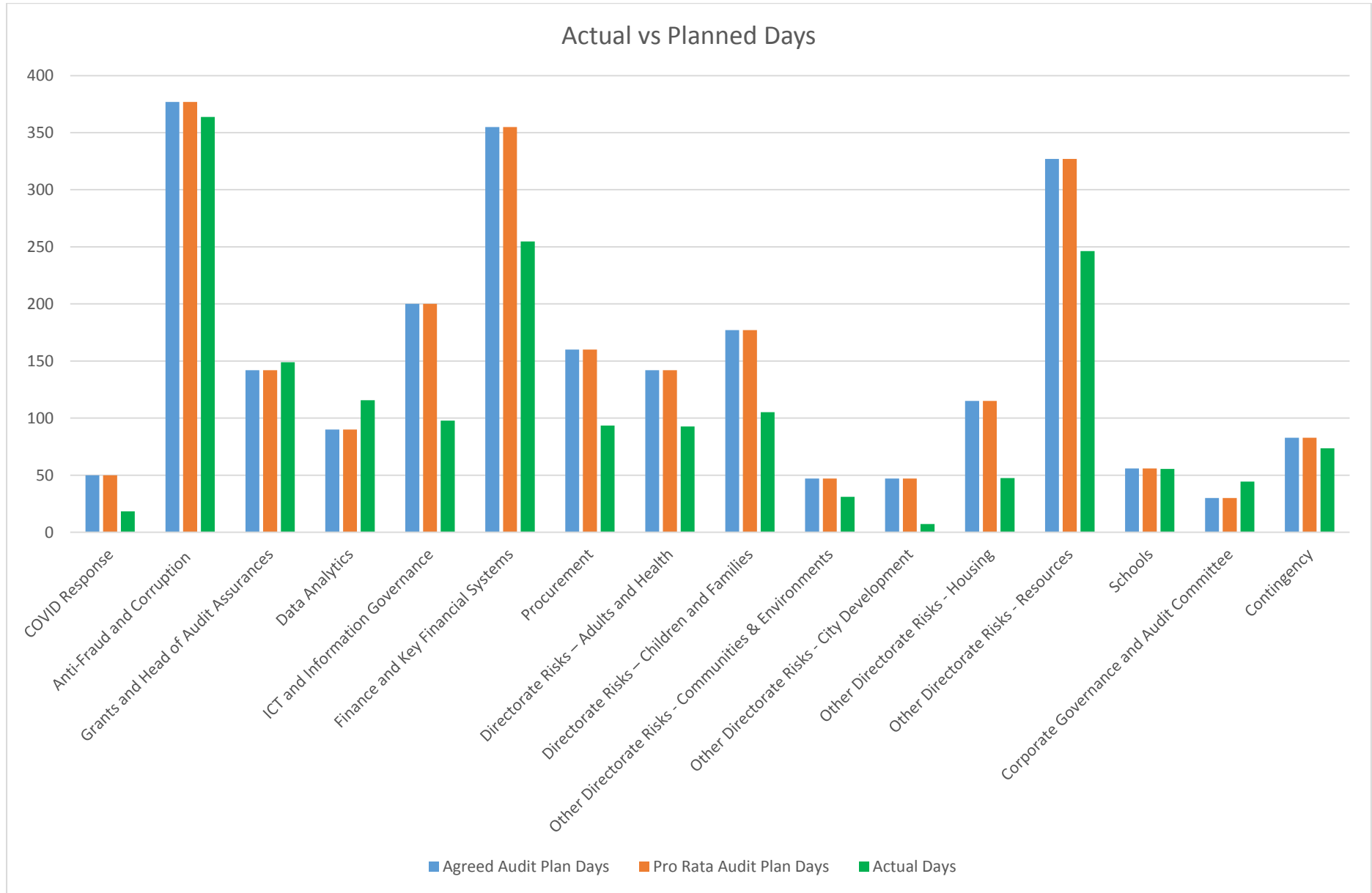
Action	Timescale and Status
Customer Satisfaction Questionnaires – continuing process review	Complete – A new approach has been developed and implemented at the start of the new financial year. This will come through in the future update reports.
Automation of the recommendation tracking process – to create an automated process for gathering data on the audit recommendation trackers for each assurance area.	Ongoing – Work has begun on the creation of an automated audit recommendation tracking process that will lessen the administrative burden that exists currently to collate recommendation tracking data.

### *Performance*

- 3.3 We continue to manage our available resources to direct these towards the highest areas of risk to ensure that an evidence-based Head of Internal Audit opinion can be provided on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in accordance with the PSIAS.
- 3.4 We are now actively recruiting to our new structure, and this has included changes at Head of Audit level. Recruitments are now continuing throughout the team. Whilst the effect of recruitment alongside the impact of natural staff turnover inevitably creates some temporary pressure on our available resource over the recent period, we continue to perform effectively and progress towards the completion of planned work to deliver the annual opinion.
- 3.5 As we continue to develop and refine our key performance indicators, we will look to incorporate further performance information to demonstrate the effective use of our resources.

## **4 Internal Audit Productivity**

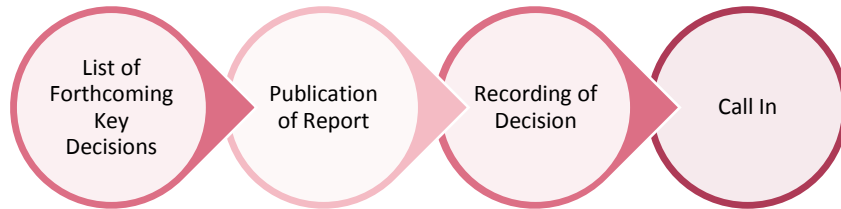
- 4.1 The bar chart below provides a comparison of agreed audit plan days against the days that have been used so far in the 2022/23 Internal Audit plan.



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# Appendix C - Monitoring of Urgent Decisions



The information below updates Corporate Governance and Audit Committee on the ongoing monitoring of the decision making framework and will support the assurances set out in the annual assurance report on the decision making framework.

## The List of Forthcoming Key Decisions (LOFKD)

1. This is the mechanism by which publicity is provided in connection with key decisions in accordance with the requirements set out in the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. (“The Executive Arrangements Regulations”)
2. In line with requirements the Executive and Decision Making Procedure Rules provide that all potential key decisions must be published to the LOFKD (and a link circulated to all Members) not less than 28 days before the decision is taken unless:
  - The decision fits the statutory General Exception (GE) – in which case notice will be published 5 clear days in advance of the decision being taken (and circulated to all Members); or
  - The decision fits the statutory criteria for Special Urgency (SU) – in which case the relevant Scrutiny Chair will be asked to agree that the decision is urgent and cannot be delayed.
3. Reflecting the statutory exemptions, a performance indicator of 95% of all key decisions should be published to the LOFKD not less than 28 clear calendar days before the decision is taken.

In the period from January to March 2023, 32 of 34 or 94% of all key decisions were included in the LOFKD.

25 of 28 (89%) key decisions taken by officers in the reporting period were included in the LOFKD.

6 of 6 (100%) key decisions taken by Executive Board were included in the LOFKD.

2 decisions not included in the LOFKD were treated as General Exception and 1 decision was treated as Special Urgency.

4. Each key decision not included in the LOFKD for the required 28 day period, was taken under the appropriate conditions for either the general exception or special urgency. The reasons for treating these decisions as general exception or special urgency are set out in the table below.

## Publication of Report

5. Publication of a decision report enables both elected Members and the public to see and consider the rationale for a key decision before that decision is taken.
6. There is no statutory requirement to publish reports in relation to officer decisions in advance of those decisions being taken. However, the Executive and Decision Making Procedure Rules provide for a local (non-statutory) requirement that a report in support of a key decision is published five clear working days before that decision is taken by an officer.
7. The rules allow for the late publication of reports in relation to key decisions with the approval of the relevant Executive Member.
8. Corporate Governance and Audit Committee must receive an annual report giving details of any officer key decisions taken at short notice in this way.

In the period from January to March 2023, 28 of 28 key decisions taken by officers (100%) were supported by reports which were published five clear working days in advance of the decision being taken.

9. The key decision, which was subject to short notice publication, was taken under the appropriate conditions as set out in the constitution. The reason for publishing this decision at short notice is set out in the table below.

## Recording of Decision

10. Recording of decisions ensures that those decisions are open and transparent, and that the relevant decision maker can be held to account.
11. Regulation 13 of the Executive Arrangements Regulations, and (in relation to non-executive functions) Regulation 7 of the Openness of Local Government Bodies Regulations 2014 require a written record to be published in respect of decisions taken by officers. Arrangements set out in the Executive and Decision Making Procedure Rules, and Access to Information Procedure Rules respectively, require publication of key and significant operational decisions as soon as reasonably practicable after those decisions are taken.

In the period from January to March 2023, 325 decisions were published with the following distribution:

	Executive Board	Officers	Total
Key	6	28	34
SOD	14	219	233
Total	20	247	267

## Call In

12. Section 9F of the Local Government Act 2000 requires that executive arrangements by a local authority include the provision for appointment of one or more Overview and Scrutiny Committees with, inter alia, power to review or scrutinise decisions which have been taken by the executive but not yet implemented. These are known as Call In arrangements and are set locally.
13. Part 5 of the Executive and Decision Making Procedure Rules sets out the call in arrangements adopted by Leeds City Council. Rule 5.1.2 sets out details of those decisions which are eligible for call in, and rule 5.1.3 provides that eligible decisions may be exempted from call in where the decision is urgent because any delay would seriously prejudice the Council's or the public's interests.
14. A performance indicator has been set with a target of 95% of all eligible decisions to be available for Call In.

In the period from January to March 2023, 94% of all eligible decisions were available for Call In.

Officer Decisions: - 27 of the 28 key decisions taken in the reporting period were eligible for call in; of which 1 (4%) was exempted from Call In. A total of 27 (96%) eligible decisions taken by officers were available for Call In.

Executive Board Decisions: 5 of 6 decisions taken in the reporting period were eligible for call in; of which 1 (17%) was exempted from Call In. A total of 5 (83%) eligible decisions were available for Call In.

15. Each eligible decision not available for call in was subject to a decision to exempt it taken by the relevant decision maker. Reasons for exemption are set out in the tables below.

## Use of Call In

16. One decision was subject to Call In proceedings during the period. The Executive Board decision - Taxi & Private Hire Licensing – Results of consultation on suitability (minor motoring convictions) (minute 43) was released for implementation by Scrutiny Board (Strategy and Resources) on 7<sup>th</sup> October 2022.

## Decisions Not Treated as Key

17. Regulation 18 of the Executive Arrangements Regulations requires that a relevant Scrutiny committee may require the executive to report to Council if a key decision has not been treated as key.

During the reporting period 0 decisions have been referred to a Scrutiny Board as wrongly treated.

## Decisions Taken Under Urgency Provisions

18. Decisions taken under urgency provisions (general exception or special urgency; short notice reporting; and exemption from call in) are both lawful and constitutional providing they meet the requirements in relation to approvals and notice set out in the relevant Executive and Decision Making

Procedure Rule. Having reviewed each of the decisions taken under urgency provisions during the reporting period the Chief Officer Financial Services is satisfied that all decisions have been taken in accordance with the relevant requirements.

19. The tables below set out details of each of those key decisions taken at short notice, or which have been exempted from Call In, together with a summary of the reason for urgency in each case.

<b>Meaningfully Monitor: Officer Key decisions taken under urgency procedures</b>					
Month	DDN	Director	GE / SU	Call In	Title of decision Reason for urgency
Feb 2023	D55976	Director of Communities, Housing and Environment	GE	Exempt	<b>Council Tax Support Fund</b> Any delay implementing the decision would mean the Council would not be able to notify residents of their entitlement to this additional financial support in their March bills as set out in the Government guidance. The delay would also likely result in additional costs for the Council as 36,388 households would potentially require a duplicate Council Tax bill.
March 2023	D56118	Director of City Development	GE	Exempt	<b>Leeds Flood Alleviation Scheme Phase 2 (LFAS2)</b> Decision taken due to the time sensitive nature. If the decision were to be made in accordance with standard Key Decision, this would mean that the terms of the funding agreement would not be met and the opportunity to inject the funds into the capital programme before the end of the 2022/23 financial year would be missed.
March 2023	D56135	Director of Resources	SU	Exempt	<b>Help to heat scheme</b> Under the terms of the grant, the signed conditions must be returned by the 17 <sup>th</sup> March 2023 in order to access funding.
<b>Meaningfully Monitor: Executive Board decisions taken under urgency procedures</b>					
Month	Minute	Director	GE / SU	Call In	Title of decision Reason for urgency
None to report					

## Counter Fraud Update Report October – March 2023

Date: 26<sup>th</sup> June 2023

Report of: Senior Head of Audit, Corporate Governance and Insurance

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

This report provides a source of assurance that the internal control environment is operating as intended through a summary of the counter fraud activity for the period from October to March 2023.

The work of the counter fraud team within Internal Audit and from other services with counter fraud roles contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing Best Council Plan objectives.

### Recommendations

The Corporate Governance and Audit Committee is asked to

- a) receive the Counter Fraud Update Report covering the period from October to March 2023 (Appendix A) and note the work undertaken by Internal Audit and other service areas during the period covered by the report.

### What is this report about?

- 1 This is a bi-annual update report providing assurance as to the control environment in respect of counter fraud and corruption activity.
- 2 The work of Internal Audit, including the counter fraud function within it, contributes to Leeds City Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on accomplishing Best Council Plan objectives.

### What impact will this proposal have?

- 3 The assurance set out in this report will inform the annual audit opinion given by the Head of Internal Audit and provide evidence of the ongoing review of the Council's arrangements for internal control supporting the Council's Annual Governance Statement. This also provides

assurances to the Corporate Governance and Audit Committee regarding the robustness of the system of internal control.

### How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 4 Arrangements in respect of counter fraud and corruption support the ongoing delivery of the council's three pillars.

### What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?       Yes       No

- 5 The Internal Audit Plan, including the counter fraud plan, is developed in consultation with Members and senior management across the authority. Consultation around key risks and priorities continues throughout the year, and continual engagement with directorates is driven through the ongoing completion of investigations and the agreement of the associated recommendations.

### What are the resource implications?

- 6 The work undertaken to satisfy the counter fraud and corruption requirements of the internal audit plan do so from within existing resources.
- 7 The two update reports to be received by committee each year provides assurance that effective arrangements are in place to combat the risk of fraud and corruption within the council.

### What are the key risks and how are they being managed?

- 8 The Counter Fraud update report contains details of the key fraud risks and how they are being managed. Internal Audit are working with risk colleagues to raise awareness of fraud risks at directorate management team meetings. Internal Audit work collaboratively with colleagues with counter fraud roles within the council.

### What are the legal implications?

- 9 The Chief Officer (Financial Services), as the council's Section 151 Officer, is responsible under the Local Government Act 1972, for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of Internal Audit is an important source of information for the Chief Officer (Financial Services) in exercising her responsibility for financial administration.
- 10 The Public Sector Internal Audit Standards (PSIAS) require the Head of Audit to deliver an annual audit opinion and report that can be used by the council to inform its Annual Governance Statement.

### Options, timescales and measuring success

#### What other options were considered?

- 11 The work of Internal Audit including the counter fraud function provides a key source of assurance to the Committee. Additional assurances are obtained through a range of further reports presented to the Committee throughout the year.

**How will success be measured?**

12 A successful counter fraud and corruption environment will protect the Council's resources, underpin the successful delivery of the Council's strategic objectives, and contribute to the value for money conclusion of the Council's external auditor when reviewing the statutory statement of accounts.

**What is the timetable and who will be responsible for implementation?**

13 Work is ongoing as set out in the appendix attached.

**Appendices**

A – Counter Fraud Update Report – October - March 2023

**Background papers**

14 None.

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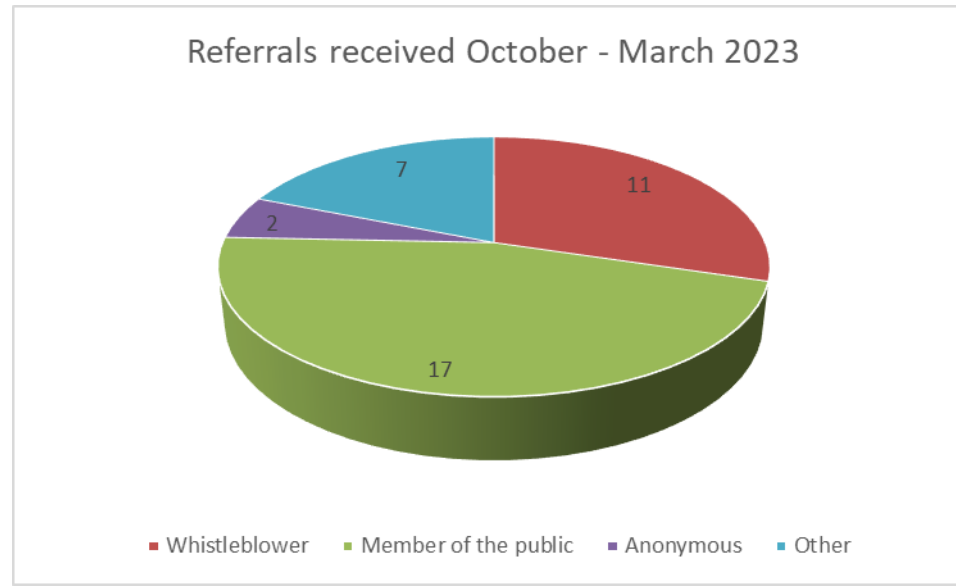
## **Background**

1. Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. The CIPFA (Chartered Institute of Public Finance and Accountancy) 2018 Guidance on Audit Committees sets out the role of the Audit Committee regarding 'countering fraud and corruption'. In summary, the Committee should understand the level of fraud risk to which the authority is exposed, and the implications for the wider control environment. This can be undertaken by having oversight of counter fraud plans, resources, and their effectiveness. Effective counter fraud arrangements also link to the ethical standards for members and officers that the public expects.
2. This report is designed to help meet this duty and is designed to give assurances to Committee members surrounding the counter fraud activities undertaken during the period October - March 2023 as part of the counter fraud and corruption assurance block within the Internal Audit Plan. This includes both the reactive and proactive approaches to the Council's zero tolerance to fraud and corruption.
3. Within the audit plan, time is set aside to undertake investigations, or reactive work, to look into identified instances of fraud or theft, and to investigate concerns raised by staff or members of the public. To help to ensure controls are in place to prevent fraud from occurring, we also undertake targeted proactive reviews. These are developed from our understanding of the control environment, in addition to our awareness of new and emerging fraud risks.
4. The Public Sector Internal Audit Standards (PSIAS) set out that the primary responsibility for the prevention and detection of fraud lies with management. Auditors should have sufficient knowledge to recognise the indicators of fraud. This is addressed by having experienced auditors with a variety of qualifications, continuing professional development and attendance at targeted counter fraud training. We can never be complacent, as fraud risks continually evolve. We therefore regularly enhance and develop our counter fraud capability by reviewing the tools and techniques that we use to detect and prevent fraud from occurring in the first place.
5. In this report, in addition to the work undertaken by Internal Audit, information from other service areas who contribute to the Council's counter fraud assurances is included. This gives a more rounded overview of the work that is being undertaken across the Council on counter fraud activities.

## Reactive Anti-Fraud Work

6. Internal Audit are the corporate owners of the Councils' counter fraud policies. The channels where concerns can be raised by both staff and members of the public, include the provision of a dedicated inbox, telephone line, post, and a 'do it online' form for members of staff. The table below illustrates the referrals received by directorate by the type of the concern raised between October and March 2023. The pie chart demonstrates the referral method. The referrals received through the 'other route' relate to those shared by external agencies, for example the National Anti- Fraud Network, or other Council services seeking advice or assistance.

Referral type	Directorate					Total
	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Strategy & Resources	
Payroll and recruitment fraud				2		2
Staff conduct		1		1	1	3
Safeguarding		1				1
Social care fraud	1					1
Corruption/maladministration		1				1
Theft			1	1	2	4
Procurement fraud - Mandate and purchasing cards	2		1			3
Non-compliance with policies and procedures		4	2			6
Cheque fraud		1				1
Health and Safety		1	1			2
Misuse of Council funds			1	2	2	5
Value for money		1				1
Housing tenancy – RTB, subletting, abandonment				7		7
<b>Total</b>	<b>3</b>	<b>10</b>	<b>6</b>	<b>13</b>	<b>5</b>	<b>37</b>



### Open Investigations

7. As at the 1<sup>st</sup> April 2023, 28 referrals were being investigated. Investigations are undertaken by either Internal Audit, Human Resources, staff within directorates or a combination of these. In all cases Internal Audit undertake a risk assessment upon receipt of the referral and determine the most appropriate investigative route.

### Closed Investigations

8. A total of 27 referrals were closed during the period. The outcomes are shown in the table below by directorate. Where appropriate, the investigation report included recommendations for improvement. These figures include some referrals that were received in the previous financial year. In the new financial year, when investigations are closed, we will be seeking feedback from whistleblowers regarding their experience of raising concerns in the workplace.

Referral type	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Strategy & Resources	Total
Economic and voluntary sector support fraud (Covid and other grants)			1 Proven legal action being taken to recover funds £3k			1
Staff conduct				1 Not proven 1 Addressed under another council policy		2
Corruption/maladministration		1 Not proven			1 Not proven	2
Theft			1 No loss suffered; control environment strengthened	1 Not proven	1 Not proven 1 Not proven recommendations raised	4
Cheque fraud		1 Proven Monies fully recovered £4k				1
Mandate fraud	1 Proven fraud prevented £5.8k					1
Non-compliance with policies and procedures		1 Not proven			2 Not proven	3
Misuse of Council funds			1 Not proven			1
Bribery of Council officer			1			1

			Not proven (referred to police and no further action taken)			
Payment evasion				1 Referred to external investigative body to investigate		1
Health and Safety			1 Addressed under another council policy			1
Safeguarding		1 Not proven				1
Tenancy fraud				5 Not proven 1 Proven (housing application fraud prevented)		6
Value for money		1 Addressed under another council policy			1 Not proven	2
<b>Total</b>	<b>1</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>6</b>	<b>27</b>

9. The table below compares the number of referrals received by financial year. The referrals received during 2020-21 were higher than those in other years, most notably due to concerns being raised regarding covid business grants and other covid related activity. There has been an increase in referrals received in the 2022/23 financial year. This could be attributable to a number of factors, including the increased communication and awareness raising of the channels to raise concerns, the uptake of the fraud awareness training, and the establishment of a Freedom to Speak Up Guardian. We are reviewing the

outcomes of the referrals received in the 2022-23 year and will use this analysis to feed into our targeted proactive reviews during 2023-24.

<b>2019-20</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>
46	74	45	61

**Housing Leeds**

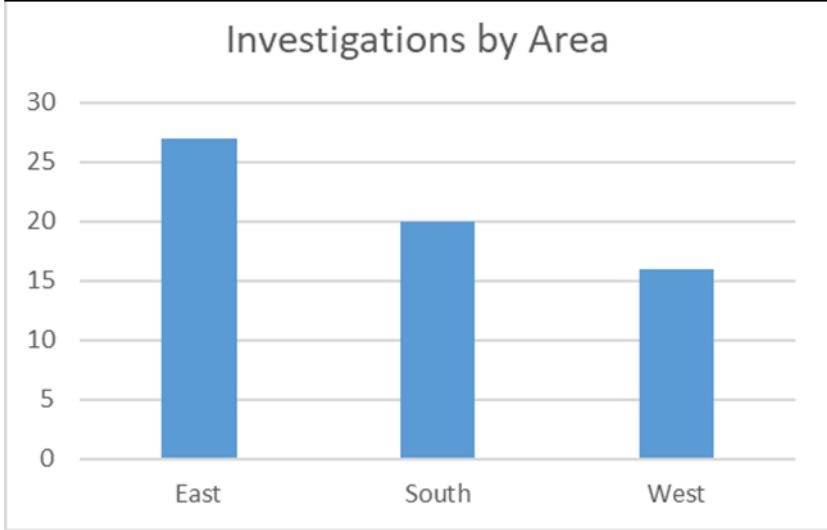
10. Housing Leeds provides a range of tenant and property related services for Council tenants and leaseholders, private rented sector tenants and homeowners. There are three Tenancy Fraud Officers whose role is to prevent and detect housing fraud to ensure that homes are fairly given to the people who need them. It is a criminal offence to commit tenancy fraud under the Prevention of Social Housing Fraud Act 2013.

Tenancy fraud includes: -

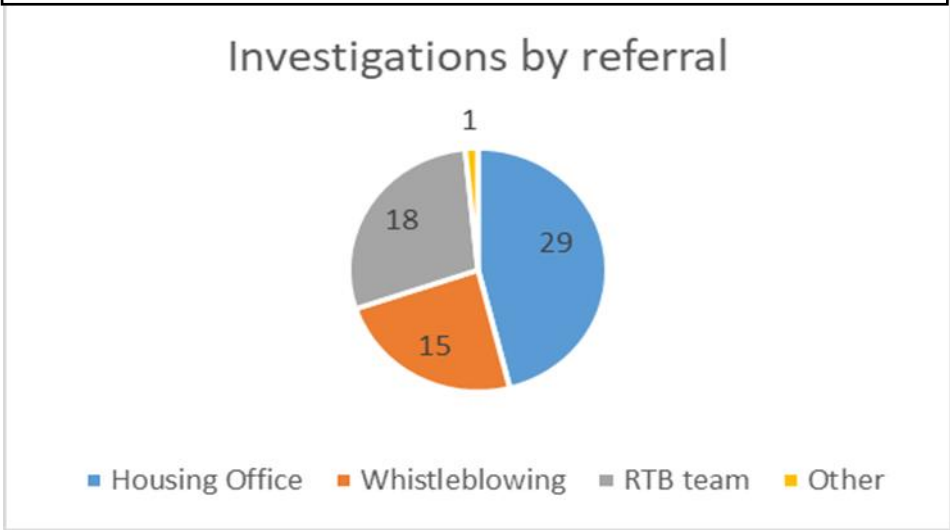
- Application fraud - not telling the truth when applying for a property, for example about how many people live there
- Subletting fraud - a property is sublet without permission (this is a criminal offence)
- Succession fraud - living in a property after someone has died without the right to do so
- Non occupation fraud - the named tenant permanently living somewhere else
- Right to Buy fraud – false information provided to acquire a property at a discounted price

11. The information below summarises the work undertaken between October and March by the Tenancy Fraud Officers.

There were 63 new investigations opened in Qtrs. 3 & 4. There are currently 85 cases being investigated citywide.

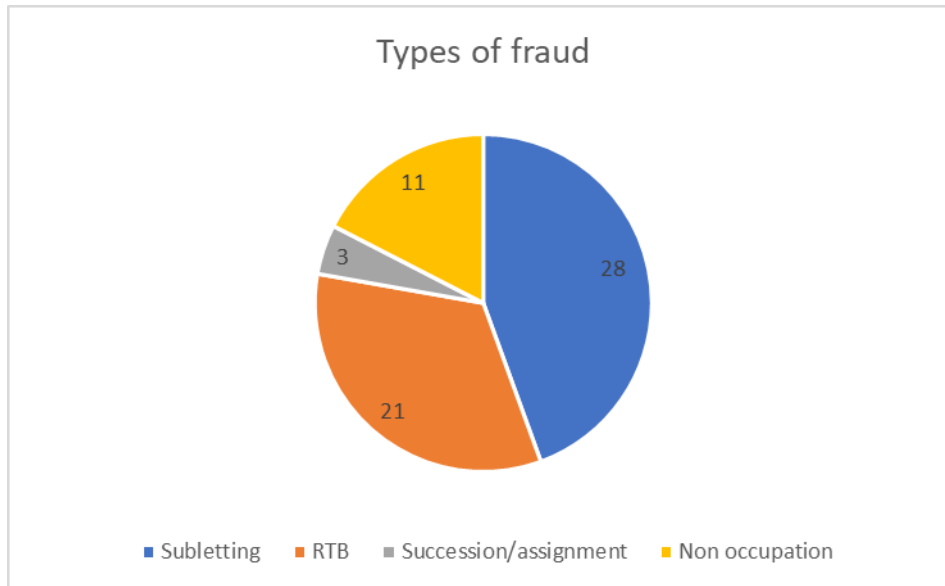


The majority of referrals received in Qtrs. 3 & 4 were made by the housing office (46%) or the RTB team (29%) whistleblowers and other referrals made up the remaining 25%.

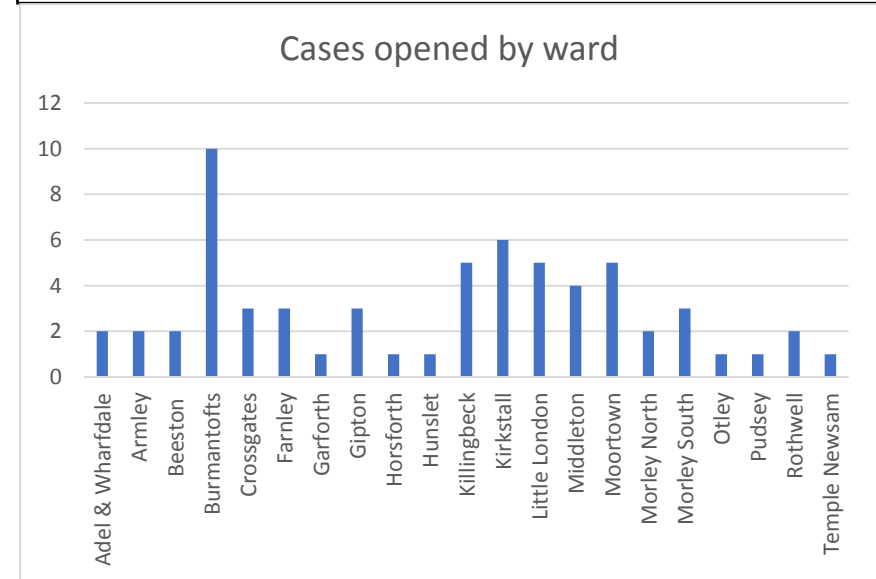


The Tenancy Fraud Officers have continued to prioritise subletting cases and Right to Buy fraud cases.

Subletting has been the most frequent type of investigation in Qtrs. 3 & 4 (45%) followed by right to buy cases (33%). Succession/ assignment and non-occupation fraud accounted for the remaining 22% of cases.



The highest number of new cases were opened in the Burmantofts, and Kirkstall wards.





12 council properties were recovered as a result of fraud investigations in Qtrs. 3 & 4.

1 has been relet to a band A applicant and the rest remain in void.

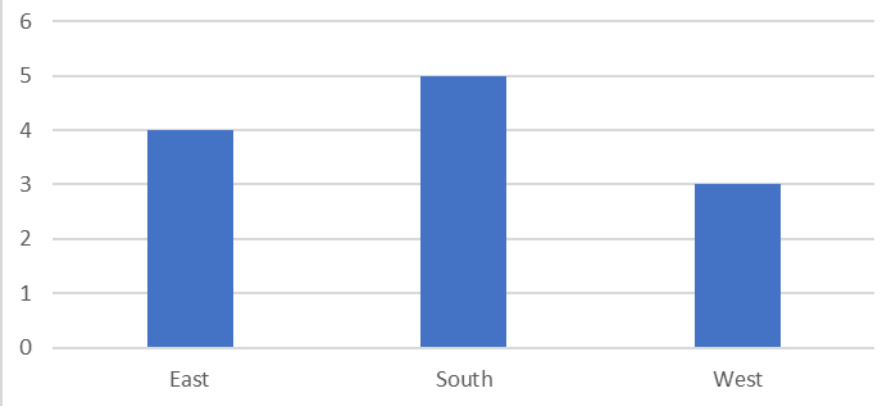
5 of these have been readvertised and 3/5 of the properties have been offered to applicants all in band A priority need.

At the end of Qtr. 4 there were a total of 502 properties recovered since 2008.

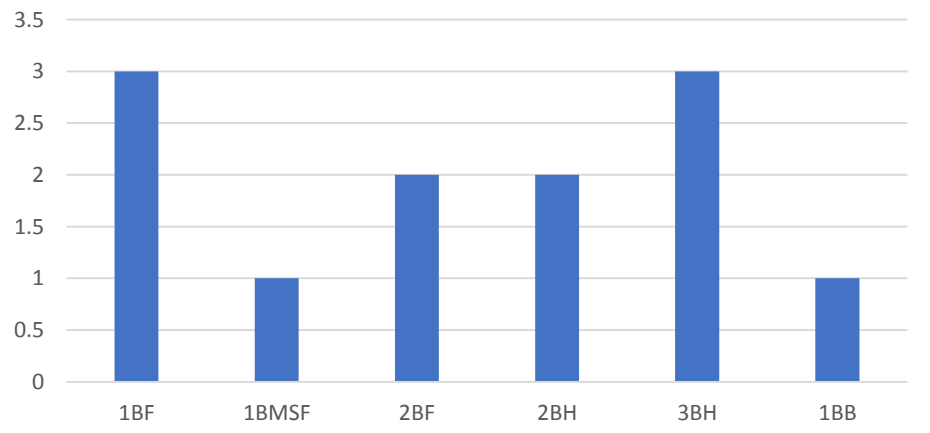
The following properties have been recovered in Qtrs. 3 & 4:

- 3 x 1 bed flat
- 1 x 1 bed multi storey flat
- 2 x 2 bed flat
- 2 x 2 bed house
- 3 x 3 bed house
- 1 x 1 bed bungalow

Properties recovered by area



Properties recovered by type



**Insurance Services**

- 12. Insurance Services procures and manages all the Council’s insurance contracts and provides advice and guidance to all Council services. Most claims are paid from the self-funded insurance provision. 1,395 claims were received over the last financial year. These claims are both public liability claims from members of the public, and employer liability claims, property, and motor claims.
  
- 13. The Council has a robust assessment and checking process in place which identifies claims warranting further investigation. The service work with the Legal Services litigation team and external solicitors where cases reach the point for court intervention. The table below illustrates the claims position to date, where the cases have reached the threshold for legal intervention.

	Public Liability Claims			Employer Liability Claims
	Fraud investigation ongoing	Claims withdrawn	In recovery	In recovery
2017		2	1	1
2018	4	4		2
2019	3	2	1	1
2020	1	2		
2021				
2022				
2023				

14. In the cases where the claims are withdrawn, these have ongoing court involvement as we wish to recover any costs incurred on defending the claim. For the cases that are in recovery, these relate to claims totalling £21,140 which have findings of fundamental dishonesty. The concept of fundamental dishonesty means that a personal injury claim can be dismissed due to concerns surrounding the conduct of claimants (for example submitting false documents to support a claim).
15. The team successfully won a civil case against a spurious compensation case. A claim was brought against the council for personal injuries, the claimant stating they had fallen on an uneven manhole cover in the city centre and had sustained a knee injury. When the inconsistencies were raised with the claimant the claim was dropped. The council asked the Court to rule on whether the claimant had been dishonest in pursuing the claim, in order to discourage further spurious claims against the council and to protect public funds. Due to inconsistencies in the claim, the claimant was ordered to pay the council's legal costs of the proceedings to the value of £10,750 and the claim was concluded by the Judge as being fundamentally dishonest.
16. The work that is undertaken by the service, identifies cases where further investigation is required. Where claims have been found to be fundamentally dishonest, this results in funds being paid back to the Council which can then be spent elsewhere.

### **Social Care Fraud**

17. The Council gives money to both adults and children with care needs to manage their support in a way which best meets their requirements. Direct payment fraud can include falsely claiming or misusing direct payments / personal budgets, either by the service user, carer, relatives, or friends. This is a misuse of Council funds and the direct payment audit teamwork in partnership with West Yorkshire Joint Services where payments made reach the threshold for criminal investigation.
18. There is currently one direct payment fraud case which is being prepared for prosecution.

### **Proactive Anti-Fraud Work**

19. To help ensure that there is an effective counter fraud culture in place within the Council, we have included time in the counter fraud block of the Internal Audit Plan to undertake proactive fraud reviews. These reviews consider areas identified through various methods, including the use of best practice publications and our internal risk assessments.

### **National Fraud Initiative (NFI)**

20. The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error. Relevant teams within the Council (such as Internal Audit, Welfare & Benefits and Housing and Tenancy Fraud) have been working through the matches on a risk basis.

21. Internal Audit has overall responsibility for monitoring the progress of this exercise and ensuring that the NFI system is updated. Twenty-one errors have been identified resulting in the recovery of £64,210<sup>1</sup>. Review of the output on this exercise is now complete and work is focused on the new matches.

22. The data for the 2022/23 exercise has been received which includes 17,272 matches. These are being reviewed on a risk basis.

### **Internal Audit Bank Mandate Review**

23. All the recommendations made in the Bank Mandate Fraud report, as referenced in the previous counter fraud update report, have been implemented. We have continued to proactively seek new ways to ensure staff within Directorates are aware of their responsibilities in this area. This has included a targeted communication sent to managers around the importance of staff following procedures. We will be requesting that all existing FMS users with specific access rights complete the fraud awareness training. We have agreed with management that the fraud awareness training will be completed prior to a new user being granted access to update creditor bank details in FMS (this is restricted access). These steps should increase awareness of the fraud risks facing the council and further promote the importance of following procedures to prevent fraud.

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<sup>1</sup> This relates to Council Tax Reduction Scheme, Housing Benefit claims and a duplicate creditor payment

### Internal Audit Schools Purchasing Cards Review

24. We are undertaking a review on purchasing card spend at schools where the card authoriser (or coding delegate) is in a less senior position than the cardholder, and therefore potentially not in a position to challenge expenditure, in order to provide assurance that the purchases are appropriate for the school. The outcome of this work will be included in the next update report.

### Welfare and Benefits Service - Council Tax Support and Housing Benefit claims review

25. The Welfare and Benefits Service have undertaken a proactive data matching exercise. This work has identified Council Tax Support claims with potential undeclared earnings. A total of 3,333 claims have been reviewed and this has resulted in £1,990,077 being added back to the Council tax bills. This in effect means that additional income will be available to the Council which previously was not identified.

26. The Department of Work and Pensions have provided funding for the Council to conduct a review of 6,300 Housing Benefit claims, with a view to ensuring that we hold up to date details in relation to claimants. We will use systems available to us to verify details provided by the claimant. Assessment staff continue to verify details provided by applicants against data held by the DWP and HMRC, including earnings and benefit income data. The receipt of electronic real time notifications of changes from the Department for Work and Pensions and HMRC mean that there continues to be a lower risk in terms of changes being unreported.

### Covid 19 Business Grants

27. The Business Rates Section has been progressing the fraudulent cases through the recovery process in accordance with the Government's Debt Recovery Guidance. There are 29 cases that are being actively pursued by the Business Rates Section to the value of £279k. Once these cases have gone through the three-step debt recovery process, these debts will be referred to the Department for Business Energy and Industrial Strategy for appropriate action. We have one case that is scheduled to go to court in summer 2023.

### **Awareness Raising**

28. In addition to the reactive and proactive work, our counter fraud arrangements include regular communications to staff of current fraud risks, and the signposting of where to report any concerns. During the period we have supported a communication sent to all FMS Leeds users relating to the risk of bank mandate fraud by including this in the Fraud Awareness article on Insite in February. The same article also included details of the updated and approved Anti-Money Laundering Policy and Policy on a page. This policy has been linked to the Fraud and Corruption toolkit, along with links to the Anti-Money Laundering and Terrorist Financing training and the Fraud Awareness Training package.
29. We have regular meetings with the Freedom to Speak Up Guardian (FTSUG) where any concerns that are considered to require Internal Audit investigation are discussed and actions agreed.
30. As members of the National Anti-Fraud Network (NAFN) we receive regular intelligence alerts on active or reported frauds experienced by other member bodies. Details of the fraud risks are shared with the relevant service. We also share this knowledge across the wider audit team as part of the audit preparation process so any risks can be considered within the scope of a review where relevant. We continue to work collaboratively with counter fraud colleagues within the Council to share ideas and promote best practice and the fraud awareness training. Developing these relationships will enhance our ability to identify and respond to emerging fraud risks.
31. The Fraud Awareness Training package specifically tailored for School Staff and Governors was successfully launched on the Leeds for Learning platform as an interactive video. This training aims to provide staff with an understanding of the importance of tackling fraud, bribery and corruption and includes information on the key fraud risks affecting schools, indicators of fraud, and how staff should raise any concerns. The training includes scenarios that are relevant to staff within their roles in the school environment. This has received positive feedback to date.

### **Counter fraud policy framework**

32. A review of the Anti-Bribery and Corruption Policy has taken place and is currently in the process of consultation with key officers prior to being presented to members at this Committee.

### **Regulation of Investigatory Powers Act 2000**

33. In the most recent inspection report issued by the Office of Surveillance Commissioners, it was recommended that Members should receive regular reports about the use of the Council's surveillance powers under RIPA.
34. The Head of Service (Legal) has confirmed that there have been no applications for directed surveillance or covert human intelligence source (CHIS) authorisations since the previous update was provided (which covered the period to September 2022). In addition, there has been no use of the powers to obtain communications data over the same period.

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## Civica CX (Housing): system interfaces and integration

Date: June 2023

Report of: Chief Officer Housing and Chief Digital & Information Officer

Report to: Corporate Governance and Audit Committee (CGAC)

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

This paper provides an update relating to the Housing ICT System (Civica CX) and how it integrates with other systems. This includes an update on the agreed workarounds and temporary arrangements that have been implemented, and what work is ongoing to continually improve the systems and integration.

### Recommendations

- a) Members of Corporate Governance and Audit Committee (CGAC) are recommended to:
  - i. note the contents of this report;
  - ii. agree that following the successful upgrade of Civica CX (programmed for Autumn 2023) and the conclusion of the IDS Integration workstream, that a further report is provided to the Committee if any of the issues are still outstanding; and
  - iii. Note the ongoing Internal Audit work, the outcomes from which will be reported in the relevant Internal Audit Update Report.

### What is this report about?

- 1 This is an information paper, providing Members with a response to queries raised at the November 2022 meeting of Corporate Governance and Audit Committee (CGAC) concerning issues with the Housing ICT System (Civica CX) and how it integrates with systems to allow payments.
- 2 The issues (as raised by members of CGAC) that are being responded to in this paper are as follows:
  - a) More information is needed related to reported problems in terms of putting information into Civica CX and making payments;
  - b) More detail needed on what issues there have been or are in terms of making sure Civica CX connects to 'sub-systems' and allowing payments to be made;
  - c) Further understanding of anything that is causing additional infrastructure requirements; and
  - d) details of related issues that were presented when Civica CX was first introduced in August 2021, along with updates as to how these are being or have been resolved.

### What impact will this proposal have?

- 3 There are no new proposals put forward in this paper.
- 4 This paper provides the committee with an update on issues that were present when the Housing ICT system (Civica CX), went live in 2021, along with assurance that arrangements, processes and improvements are being implemented to ensure that issues are being addressed.

### How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 5 The Best City Ambition pillars are underpinned by having robust ICT Systems in place. This includes:
  - appropriate Housing Management systems to promote effective services to our tenants (as part of the Health and Wellbeing pillar),
  - allowing our sub-contractors and internal service providers to be paid for an effective service delivered (Inclusive Growth Pillar).
  - The system was also intended to support the Zero Carbon pillar by helping to reduce the carbon footprint and help increase efficiency with a more accessible web-based system.
- 6 The implementation of Civica CX underpins the key housing priorities and supports and follows the council's policies and ambitions relating to digital technology and being an efficient and enterprising organisation.

### What consultation and engagement has taken place?

Wards affected: n/a

Have ward members been consulted?

Yes

No

- 7 There is ongoing joint working with key internal stakeholders such as Housing, Integrated Digital Services (IDS), Finance and the Contact Centre, along with Housing Sub-Contractors to ensure the benefits from the system are maximised. System users (Housing, Finance and Contact Centre) staff continue to be supported pre and post implementation of CX through training, guidance and other forums.
- 8 The ongoing improvements to the system are overseen by the Housing ICT Project Board. The Board was Chaired by the Director of Resources & Housing until Housing moved to Communities, Housing and Environment (C, H & E) in April 2022. It is now Chaired by the Director of C, H & E and has been attended consistently by the external supplier, Civica, and colleagues from Finance, Housing, IDS and the Contact Centre.
- 9 An internal audit of Civica CX is currently in progress. This aims to review any workarounds implemented to address known issues, assess any processes that have been put in place to identify, track and prioritise issues that have arisen since implementation, and look at what action has been taken to address, mitigate and report on these.

## What are the resource implications?

- 10 Due to Civica CX and some Housing Sub-contractor systems not being compatible, it has not yet been possible to deliver full integration and therefore a number of manual workarounds have been implemented, meaning more human resource time is spent on these processes.

## What are the key risks and how are they being managed?

- 11 There is a risk around the integrity of the source data that feeds into the core FMS. This is largely attributed to the fact that some data quality issues were migrated from the previous Housing ICT system, Orchard. This is being managed and mitigated by various data quality and cleansing exercises being undertaken (by Housing and IDS) since the system went live, along with rolling out continued training and guidance to staff to prevent further discrepancies and improve data quality.
- 12 The Housing ICT System is not fully integrated with those of our contractors (repairs and maintenance) resulting in a risk of late or missed payments. This is being mitigated by colleagues (Housing and IDS) working with contractors to complete the required integration and make any required manual payments.

## What are the legal implications?

- 13 If any payments are made late to contractors, there is a risk that the council is breaching the terms of contract with these suppliers. This is being managed and mitigated through regular progress / relationship management meetings, along with the ongoing work to carry out any manual processes and work on improving system integration.

## Options, timescales and measuring success

### What other options were considered?

- 14 The Housing ICT Project Board made the decision to go live with Civica CX in Summer 2021. The alternative route of continuing to use the previous systems (Orchard) was discounted due to be it being outdated and no longer compliant with new security standards.
- 15 The decision to go live was made by the Board in the knowledge and acceptance of the fact that there were several unresolved issues still outstanding. All parties committed to implement workarounds, mitigation measures and plans to resolve and address these known issues.
- 16 The table below summarises the issues related to transferring of information, making payments and connecting to our own and contractors' sub-systems, together with the agreed workarounds and temporary arrangements that were implemented.

<b>Issue</b> (Related to inputting of information, making payments and connecting to our own and contractors' sub-systems)	<b>Workarounds implemented</b>
<b>Not integrated with Leeds Building Services (LBS) ICT systems</b>	Jobs are transferred through a partially manual process and there is a continued use of a file transfer solution  High-level payments made – detailed jobs are still to be processed, with a higher level of manual intervention
<b>Not integrated with Mears ICT Systems</b>	Used non-integrated functions via the Contractor Access Portal. Implemented manual workarounds to apply charges, apply variations / cancellations
<b>Not integrated with PH Jones ICT Systems</b>	Used non-integrated functions via the Contractor Access Portal. Implemented manual workarounds to apply charges, apply variations / cancellations
<b>Not integrated with Liberty ICT Systems</b>	Used non-integrated functions via the Contractor Access Portal.

	Implemented manual workarounds to apply charges, apply variations / cancellations
<b>No functionality to produce VAT Compliant Self-Billing Invoices and unable to automatically produce in FMS from Cx reports</b>	Additional resource pressures on finance teams to implement and administer manual workarounds to both invoices and VAT return

### How will success be measured?

17 Details of work to date and on-going work to address these issues is summarised below. The success is measured through the resolution of all issues below.

Issue  (Related to inputting of information, making payments and connecting to our own and contractors' sub-systems)	Progress Update	
	RESOLVED: Now able to	OUTSTANDING: Unable to automatically:
<b>Not integrated with Leeds Building Services (LBS) ICT systems</b>	<ul style="list-style-type: none"> <li>• <b>Raise orders</b></li> <li>• <b>Job Updates</b> - Went live June 2022 - Working through backlog</li> <li>• <b>Apply Charges to jobs</b> - Workaround in place since August 2022 to allow LBS to charge for jobs - Working through backlog</li> <li>• <b>Process Payments</b> - Functionality available but variations are recorded after work completed.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cancel orders</b> - Will be resolved in the Upgrade expected spring 2023 <ul style="list-style-type: none"> <li>• Manual workaround with Civica to cancel batches of orders to keep system up to date</li> </ul> </li> <li>• <b>Raise Variations real time</b> - Ongoing development needed in both Connect and Cx</li> <li>• Difficult to <b>forecast spend</b> due to backlog in variations and cancelled orders still in system</li> <li>• <b>Update Appointments</b> - No functionality in Cx</li> </ul>
<b>Not integrated with Mears ICT Systems</b>	<ul style="list-style-type: none"> <li>• Raise orders</li> <li>• Update job</li> <li>• Raise Variations</li> <li>• Process Payments</li> <li>• <b>Separate BITMO (Belle Isle Tenant Management Organisation) and Housing Contracts as two distinct contractors</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cancel orders</b> <ul style="list-style-type: none"> <li>• This will be resolved in the Upgrade expected spring 2023</li> <li>• Manual workaround with Civica to cancel batches of orders to keep system up to date</li> </ul> </li> <li>• <b>Get appointment data back</b></li> <li>• <b>Variation Processing Issues</b> <ul style="list-style-type: none"> <li>• Integration issue regarding variations being applied multiple times in an order is being investigated by the IDS Integration work stream</li> </ul> </li> </ul>
<b>Not integrated with PH Jones ICT Systems</b>	<ul style="list-style-type: none"> <li>• <b>Raise orders</b></li> <li>• <b>Update jobs</b></li> <li>• <b>Process Payments</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cancel orders</b> <ul style="list-style-type: none"> <li>• This will be resolved in the upgrade expected autumn 2023</li> <li>• Manual workaround with Civica to cancel batches of orders to keep system up to date</li> </ul> </li> <li>• <b>Backlog of any orders</b> prior to Update job solution need updating via loader.</li> </ul>

<b>Not integrated with Liberty ICT Systems</b>	<ul style="list-style-type: none"> <li>• Raise orders</li> <li>• Update Jobs</li> <li>• Process Payments</li> <li>• Liberty have been provided with a report of all outstanding orders to enable them to process the backlog.</li> </ul>	<ul style="list-style-type: none"> <li>• none</li> </ul>
<b>No functionality to produce VAT Compliant Self-Billing Invoices</b> and unable to automatically produce in FMS from Cx reports	<ul style="list-style-type: none"> <li>• Manually produce VAT compliant self-billing invoices</li> </ul>	<ul style="list-style-type: none"> <li>• Development of automated self-billing invoice from CX reporting currently in progress with IDS</li> </ul>

### What is the timetable and who will be responsible for implementation?

- 18 Testing has commenced by Leeds City Council (IDS, Housing and Contact Centre) on an upgraded version of the Civica CX system. Testing is programmed to conclude in time for the system to be upgraded by Autumn 2023. The upgrade is a joint responsibility between the supplier (Civica) and the council and is being monitored via the Housing ICT Project Board.
- 19 An integration workstream (joint Housing and IDS resources) continues to work with Housing contractors and LBS as an internal service provider, to progress integration with their respective ICT Systems. Many of the existing issues will be improved by the above CX Upgrade and continue to be supported by the workarounds currently in place.
- 20 An internal audit is being carried out to review any workarounds implemented to address known issues, assess any processes that have been put in place to identify, track and prioritise issues that have arisen since implementation, and look at what action has been taken to address, mitigate and report on these. It is anticipated that any unresolved issues will be addressed by this audit, the draft audit report is expected mid July 2023.

### Appendices

- none

### Background papers

[Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk)

[\(Public Pack\) Agenda Document for Executive Board, 10/02/2016 13:00 \(leeds.gov.uk\)](https://leeds.gov.uk)

- [\(Public Pack\) Agenda Document for Corporate Governance and Audit Committee, 28/11/2022 10:00 \(leeds.gov.uk\)](https://leeds.gov.uk)

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## Annual Report of Corporate Governance and Audit Committee

Date: 24<sup>th</sup> June 2023

Report of: Chief Officer – Financial Services

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

This report provides an assurance that the Corporate Governance and Audit Committee have discharged its duty in ensuring that the Committee complies with CIPFA's Position Statement: Audit Committees in Local Authorities and Policy.

### Recommendations

The Corporate Governance and Audit Committee are requested to

- a) Note the assurance set out in this report that the Committee complies with CIPFA's Position Statement: Audit Committees in Local Authorities and Police; and
- b) Approve the draft annual report at Appendix A to this report and authorise the Chair of the Committee to sign on their behalf.

### What is this report about?

- 1 This report sets out the draft annual report of the Corporate Governance and Audit Committee for the 2022/23 municipal year.
- 2 In accordance with best practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA), the report demonstrates how the committee has discharged its responsibilities.
- 3 The report demonstrates how the committee supports the Council's governance arrangements, and in doing so supports the Council in achieving its Best City Ambition and the three pillars of Inclusive Growth, Health and Wellbeing and Zero Carbon.

### What impact will this proposal have?

- 4 The Annual Report of Corporate Governance and Audit Committee reflects the work undertaken by the committee in the 2022/23 municipal year.

- 5 The report notes that assurances received to support the committee in carrying out the functions delegated to it in respect of the Annual Governance Statement and Statement of Accounts.
- 6 The report further notes those areas in which the work of the committee has, through robust challenge and critical consideration, added value to the Council’s arrangements for governance, audit and risk.

**How does this proposal impact the three pillars of the Best City Ambition?**

- Health and Wellbeing       Inclusive Growth       Zero Carbon

- 7 The work undertaken by the committee provides assurance that arrangements for internal control support the delivery of the council’s strategic objectives.

**What consultation and engagement has taken place?**

Wards affected: Have ward members been consulted? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--

- 8 The Monitoring Officer and S151 Officer have been sighted on this draft report, which has been compiled in consultation with members of the committee.

**What are the resource implications?**

- 9 The committee’s work contributes directly by providing assurance that arrangements in respect of resources, procurement and value for money are fit for purpose, embedded, and routinely applied.
- 10 The report provides information to Council to the work undertaken to ensure the sustainable use of the Council’s resources to deliver the strategic ambitions of the Council.

**What are the key risks and how are they being managed?**

- 11 The work undertaken by the committee provides assurance that there are arrangements in place for the management of risks which are appropriate, proportionate, monitored, and effective.

**What are the legal implications?**

- 12 S151 Local Government Act 1972 requires local authorities to “make arrangements for the proper administration of its financial affairs”. The Accounts and Audit (England) Regulations 2015 provide that the local authority is responsible for ensuring “a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operations management of the authority is effective and includes effective arrangements for the management of risk”.

**Options, timescales and measuring success**

**What other options were considered?**



13 None

**How will success be measured?**

14 The Annual Report of Corporate Governance and Audit Committee will be received by Full Council.

**What is the timetable and who will be responsible for implementation?**

15 The Annual Report of Corporate Governance and Audit Committee reflects work undertaken in the 2022-23 municipal year.

**Appendices**

- Annual Report of Corporate Governance and Audit Committee

**Background papers**

- None

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# **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 benchmarked<sup>1</sup> 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.)

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<sup>1</sup> 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 31<sup>st</sup> July and were made available on the Council's website for public inspection from 1<sup>st</sup> 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 reports<sup>2</sup> 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.

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<sup>2</sup> 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			

<b>Statutory Business</b>	<b>June 2022</b>	<b>July 2022</b>	<b>Oct 2022</b>	<b>Nov 2022</b>	<b>Feb 2023</b>	<b>Mar 2023</b>
External Auditors Annual Report and IT Audit Report 2021/22						X
Counter Fraud Update Report	X			X		
<b>Additional reports received in accordance with terms of reference</b>	<b>June 2022</b>	<b>July 2022</b>	<b>Oct 2022</b>	<b>Nov 2022</b>	<b>Feb 2023</b>	<b>Mar 2023</b>
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

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## Corporate Governance and Audit Committee Work Programme 2023-24

Date: 26<sup>th</sup> June 2023

Report of: Chief Officer Financial Services

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

This report presents 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. Development and regular review of the work programme enables the Committee to manage the business appropriately in line with the risks currently facing the Council.

This report also includes the proposed Member Development Plan for 2023-24 setting out arrangements to develop and extend the Committee's skills and knowledge in relation to care areas identified by CIPFA.

### Recommendations

- a) Members are requested to consider and approve the work programme and meeting dates at Appendix A.
- b) Members are requested to consider and approve the development plan attached at Appendix B.

### What is this report about?

- 1 This report presents the work programme and Member development plan for the Corporate Governance and Audit Committee.

### What impact will this proposal have?

- 2 The work undertaken by the committee throughout the year will support the understanding of the internal control and risk environment and support the committee's approval of the statutory Statement of Accounts and Annual Governance Statement (the AGS).
- 3 The development programme set out is designed to support the Committee's robust examination of the assurance provided to ensure an accurate reflect of the internal control and risk environment in the AGS.

## How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 4 The work undertaken by the committee will provide assurance that arrangements for internal control support the delivery of the council's strategic objectives.

## What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 5 The Work programme was approved by the Committee at its meeting in March 2023 and is presented at each meeting for the committee to consider and amend as appropriate. Amendments are proposed following consultation with Grant Thornton UK LLP in relation to the timetable for external audit of the accounts.
- 6 Members are invited to comment on the proposed development plan and present suggestions of areas of interest that would support the scrutiny work of the Committee.

## What are the resource implications?

- 7 The work undertaken by the committee will provide assurance as to the appropriate use of resources to deliver the council's strategic objectives.

## What are the key risks and how are they being managed?

- 8 The work undertaken by the committee will provide assurance that there are arrangements in place for the management of risk which are appropriate, proportionate, monitored and effective.

## What are the legal implications?

- 9 S151 Local Government Act 1972 requires local authorities to "make arrangements for the proper administration of its financial affairs". The Accounts and Audit (England) Regulations 2015 provide that the local authority is responsible for ensuring "a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk".
- 10 The work undertaken by the Committee enables it to advise Council (the body charged with governance) that arrangements in place are up to date, fit for purpose, communicated and embedded, monitored and routinely complied with and to approve the Annual Governance Statement on behalf of Council.
- 11 CIPFA's Audit Committees: Practical Guidance for Local Authorities and Police (2018) is proper practice for audit committees in the sector. The guidance sets out core knowledge required for an effective audit committee.

## Options, timescales and measuring success

### What other options were considered?

- 12 Members are invited to recommend the inclusion of further business in the work programme as necessary.



**How will success be measured?**

13 The Committee will provide an annual report to Council detailing how the committee has discharged its responsibilities.

**What is the timetable and who will be responsible for implementation?**

14 As set out at Appendix A and B

**Appendices**

- Appendix A – Work Programme of Corporate Governance and Audit Committee 2023/24
- Appendix B – Proposed Development Plan for Corporate Governance and Audit Committee 2023/24.

**Background papers**

- None

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**Proposed Work Programme 2023/24**

<b>Date</b>		<b>Work Item</b>	<b>Author</b>	<b>Attendee</b>	<b>Category</b>
<b>26<sup>th</sup> June 2023</b>	1	Internal Audit update report	Jonathan Foster	Angela Laycock	Internal Audit
	2	Counter Fraud and Corruption update report	Louise Ivens	Louise Ivens	Internal Audit
	3	Civica CX (Housing) and FMS (Finance) systems interfaces	Helen Jackson	Girish Solanki	Additional Assurance
	4	Draft annual report 2021/22 of CGAC to Council	Liz Gott	Kate Sadler	Effectiveness
<b>24<sup>th</sup> July 2023</b>	1	Internal Audit Annual report and opinion (including assurance in respect of RIPA)	Jonathan Foster	Angela Laycock Louise Ivens	Statutory
	2	Annual assurance report on procurement policies and practices	Kieron Dennett	Kieron Dennett	Annual Assurance
	3	Annual assurance report on decision making		Kate Sadler	Annual Assurance
	4	Draft Statement of Accounts (for information)	Mary Hasnip	Mary Hasnip	Statutory
	5	Interim Annual Governance Statement (for information)	Kate Sadler	Kate Sadler	Statutory
<b>25<sup>th</sup> September 2023</b>	1	Annual assurance report on planning regulation and enforcement arrangements	Helen Cerroti	David Feeney	Annual Assurance
	2	Receipt of External Auditor's Audit Report for 2021/22 Accounts	Mary Hasnip	GT	External Audit
	3	Receipt of External Auditor's audit plan for 2023/24	Mary Hasnip	GT	External Audit
	4	Informing the Audit Risk Assessment	Mary Hasnip	GT	External Audit

Date		Work Item	Author	Attendee	Category
	5	Internal Audit update report	Jonathan Foster	Angela Laycock	Internal Audit
	6	Approval of Annual Governance Statement 2023	Kate Sadler	Kate Sadler	Statutory
27 <sup>th</sup> November 2023	1	Receipt of External Auditor's Annual Report setting out findings of 2022/23 Value for Money Review	Mary Hasnip	GT	External Audit
	2	Counter Fraud and Corruption update report	Louise Ivens	Louise Ivens	Internal Audit
	3	Annual report on financial planning and management arrangements (to include Treasury Management)	Richard Ellis	Richard Ellis	Annual Assurance
	4	Annual assurance report on corporate performance management arrangements	Claire Keightley and Emma Kamillo-Price	Mike Eakins, Claire Keightley and Emma Kamillo-Price	Annual Assurance
	5	Annual assurance report on corporate risk and resilience arrangements	Tim Rollett and Leanne Cummings	Tim Rollett and Leanne Cummings	Annual Assurance
5 <sup>th</sup> February 2024	1	Receipt of External Auditor's Audit Report for 2022/23 Accounts	Mary Hasnip	GT	External Audit
	2	Approval of Audited Accounts	Mary Hasnip	Mary Hasnip	Statutory
	3	Internal Audit update report	Jonathan Foster	Angela Laycock	Internal Audit
	4	Joint annual report on information governance from Data Protection Officer and Caldicott Guardian	Aaron Linden	DPO / Shona McFarlane	Annual Assurance

Date		Work Item	Author	Attendee	Category
	5	Update report on Information and Digital Services Governance	Andrew Byrom	Leonardo Tantari	Annual Assurance
18 <sup>th</sup> March 2024	1	Receipt of Internal Audit Plan	Jonathan Foster	Angela Laycock	Internal Audit
	2	Annual assurance report on employment policies and procedures and employee conduct	Jess Dolphin	Andy Dodman	Annual Assurance
	3	Proposed Work Programme	Kate Sadler	Kate Sadler	Effectiveness

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## Corporate Governance and Audit Committee – Development Plan 2023/24

The Development Plan set out below is designed to enable Members to develop and extend their knowledge in relation to the role and remit of the Corporate Governance and Audit Committee

Part A responds to CIPFA Audit Committees: Practical Guidance for local Authorities and the Police (2018) and provides development opportunities in relation to core areas set out at Appendix C of that guidance.

Part B provides for additional development opportunities to support Members in their role.

Part A – Core knowledge						
Core area of knowledge	Details of core knowledge required	Content	Lead officer	Delivery method	Delivered	Update required
Organisational knowledge	<ul style="list-style-type: none"> <li>An overview of the governance structures of the authority and decision-making processes</li> </ul>	<ul style="list-style-type: none"> <li>Introduction to Exercising the Democratic mandate (description of Council structures)</li> <li>Members guide to decision making</li> </ul>	Kate Sadler	Written material	TBA	All Members
	<ul style="list-style-type: none"> <li>Knowledge of the organisational objectives and major functions of the authority</li> </ul>	<ul style="list-style-type: none"> <li>Best Council Ambition</li> </ul>	Mike Eakins		TBA	
Audit Committee Role and Functions	<ul style="list-style-type: none"> <li>An understanding of the audit committee’s role and place within the governance structures.</li> <li>Familiarity with the committee’s terms of reference and accountability arrangements</li> <li>Knowledge of the purpose and role of the audit committee</li> </ul>	Introductory workshop: An effective audit committee (CIPFA Guidance) <ul style="list-style-type: none"> <li>purpose</li> <li>functions</li> <li>resources</li> <li>independence</li> <li>skills</li> </ul>	Kate Sadler	Remote meeting	TBA	Members new to committee
Governance	<ul style="list-style-type: none"> <li>Knowledge of the seven principles of the CIPFA/Solace Framework</li> <li>Knowledge of the requirements of the AGS</li> </ul>	Corporate Governance Framework & Assurance Map; AGS & covering report	Kate Sadler	Written material / Committee discussion	TBA	All Members
Values of good governance	<ul style="list-style-type: none"> <li>Knowledge of the Seven Principles of Public Life</li> </ul>	New Members Induction – Members’ Code of Conduct				Newly elected Members

Part A – Core knowledge						
Core area of knowledge	Details of core knowledge required	Content	Lead officer	Delivery method	Delivered	Update required
	<ul style="list-style-type: none"> <li>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</li> </ul>	Corporate Governance Framework & Assurance Map; AGS & covering report	Kate Sadler	Written material / Committee discussion	TBA	
	<ul style="list-style-type: none"> <li>Knowledge of the whistleblowing arrangements in the authority</li> </ul>	Counter fraud and updates	Louise Ivens	Written material / Committee discussion		
Internal Audit	<ul style="list-style-type: none"> <li>An awareness of the key principles of the PSIAS and the LGAN</li> <li>Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled</li> </ul>	<ul style="list-style-type: none"> <li>Regular Internal Audit update reports</li> <li>Annual Audit Opinion</li> </ul>		Written material / Committee discussion		All Members
External Audit	<ul style="list-style-type: none"> <li>Knowledge of the role and functions of the external auditor and who currently undertakes this role</li> <li>Knowledge of the key reports and assurances that external audit will provide</li> <li>Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken</li> </ul>	External Audit Workshop	Gareth Mills	Remote meeting	TBA	Members new to committee
		<ul style="list-style-type: none"> <li>Regular update briefings</li> <li>Annual Report</li> <li>Contribution to committee meetings</li> </ul>		Written material / Committee discussion		All Members
Financial Management and Accounting	<ul style="list-style-type: none"> <li>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them</li> </ul>	New Members Induction				Newly elected Members
		Accounts Briefing	Mary Hasnip	Remote meeting	TBA	All Members
	<ul style="list-style-type: none"> <li>Understanding of good financial management principles</li> <li>Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial</li> </ul>	Annual assurance report on arrangements for financial management and planning	Richard Ellis	Written material / Committee discussion		



Part A – Core knowledge						
Core area of knowledge	Details of core knowledge required	Content	Lead officer	Delivery method	Delivered	Update required
	Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018)					
Counter fraud	<ul style="list-style-type: none"> <li>An understanding of the main areas of fraud and corruption risk to which the organisation is exposed</li> <li>Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</li> <li>Knowledge of the organisation's arrangements for tackling fraud</li> </ul>	Counter fraud and corruption update reports	Louise Ivens	Written material / Committee discussion		All Members
		Counter fraud workshop		Remote meeting	TBA	
Risk Management	<ul style="list-style-type: none"> <li>Understanding of the principles of risk management, including linkage to good governance and decision making</li> <li>Knowledge of the risk management policy and strategy of the organisation</li> <li>Understanding of risk governance arrangements, including the role of members and of the audit committee</li> </ul>	Risk and resilience assurance reports	Tim Rollett	Written material / Committee discussion		All Members
		Risk & Resilience Workshop		Remote / face-to-face meeting	Proposed to be held prior to September '23 CGAC.	
Treasury	<ul style="list-style-type: none"> <li>Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> <li>regulatory requirements</li> <li>treasury risks</li> <li>the organisation's treasury</li> </ul> </li> <li>management strategy <ul style="list-style-type: none"> <li>the organisation's policies and</li> </ul> </li> <li>procedures in relation to treasury management</li> </ul>	Annual assurance report on arrangements for financial management and planning	Richard Ellis	Written material / Committee discussion		All Members

Part B – Supporting Development

Area of development	Details of development offered	Content	Lead officer	Delivery method	Delivered
Information Management and Governance	<ul style="list-style-type: none"> <li data-bbox="338 284 674 316">Mandatory IMG training</li> </ul>	IG related legislation, local policies and information security	Aaron Linden	E-learning (PAL)	