

Corporate Governance and Audit Committee

Monday, 12th February, 2024

PRESENT: Councillor M France-Mir in the Chair
Councillors G Almass, J Dowson, H Bithell,
C Hart-Brooke, P Wray and M Robinson

INDEPENDENT MEMBER: L Wild

57 Appeals Against Refusal of Inspection of Documents

There were no appeals against refusal of inspection of documents.

58 Exempt Information - Possible Exclusion of the Press and Public

There was no exempt information.

59 Late Items

There were no formal late items. However, there was supplementary information circulated in relation to Agenda Item 12 - Update report on Government Proposals to address the national audit backlog, and Grant Thornton's Response and update on the Audit 2021/22.

60 Declaration of Interests

Under Agenda Item 8 – Annual Assurance Report of Information Digital Services (IDS) Governance the following declarations were made:

- Cllr Bithell – 100% Digital have supported 'Out Together' for which she is a trustee.
- Cllr Robinson works for Tech UK

61 Apologies for Absence

Apologies for absence were received on behalf of Councillors Firth and Heselwood.

62 Minutes of the Previous Meeting - 27th November 2023

RESOLVED – That the minutes of the meeting held on 16th November be approved as a correct record.

63 Matters Arising From The Minutes

It was noted that information requested in relation to:

- Minute 48 – Procurement Assurance Report 2022-23 Information had been supplied to Members via email on 8th February.
- Minute 49 – Annual Assurance Report on Corporate Performance Management Arrangements would be provided in the 2023-24 update report at a later committee.

64 Annual Information Governance Report, including the annual report of the Caldicott Guardian

At the Chairs discretion this item was moved up the agenda.

This annual report of the Director of Strategy and Resources and the Director of Adults and Health presented assurances to the Corporate Governance and Audit Committee on the effectiveness of the council's information management and governance arrangements through a statement of internal control. In addition, the report this year presented the Information Commissioner's Office (ICO) Audit Report of Leeds City Council's compliance with the UK General Data Protection Regulation (GDPR), for which Members are to be assured that an action plan is in place to address the recommendations.

The Caldicott Guardian gave assurance to Members of the arrangements in place with regards to the confidentiality of patient and service-user data.

The Head of Information Management and Governance presented the report and highlighted the following points:

- In relation to information requests the service is now consistently hitting the current key performance indicator and has been for the last seven to eight months. It was acknowledged that further work was still required to improve performance. It was noted that this was due to changes made in the team and to process changes and how the team engage with other services.
- Internal Audit had provided a recommendation to improve oversight, recording and completion of data impact assessments. It was noted that this piece of work had proved challenging to address the issues raised but the Service had also wanted to ensure that it was embedded for the future. After a number of delays the Microsoft Power App will be introduced. Staff were now undergoing training and a communication and implementation plan had been developed. Its first use will be at the end of 2023-24 financial year.
- The Service is in the process of developing a Formal Information Assurance Framework and this should be ready for use in 2025. This followed a recommendation by the ICO.
- The report of the ICO and Caldicott Guardian was in full for Members information with no redactions. The Service welcomed the views of the ICO and the support that they had given. It was accepted that there

was a need for improvement and the team were already on with the Information and Governance Programme. To keep Members updated the Service requested reports be presented at mid-year and end of year.

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

- It was noted that Internal Audit were going to work alongside the Service for the implantation of the recommendations.
- Mandatory training is undertaken every two years with all Council staff and the last training was in 2022 when there was a 100% completion rate. The next training will take place in September 2024.

RESOLVED – To:

- a) Consider the contents of the report and assurances provided within the Council's Corporate Information Management and Governance Statement of Internal Control.
- b) Note the outcome of the ICO Data Protection Audit, acknowledging the areas for improvement, and agree to receive mid-year and end of year action plan progress update reports.

65 Annual Assurance Report of Information Digital Services (IDS) Governance.

The Annual report of the Chief Digital and Information Officer set out the decision-making arrangements within Integrated Digital Service (IDS). The arrangements set out provided a framework for transport and accountable decision-making in IDS in accordance with the Council's Corporate Governance Code and Framework.

The Deputy Chief Digital and Information Officer presented the report providing the following points:

- The report looks at the process in places in IDS such as digital strategies, digital priorities and the various boards and the roles and responsibilities within the team.
- In terms of governance there are a number of boards, including the Digital Board, meetings with the Design Authority where there are a set of principles for how to deliver I.T. such a Cloud First to ensure that security in place in all pieces of work. There is also the Change Advisory Board, Information Management and Governance and Change Delivery Group.
- In relation to digital inclusion, it was highlighted to Members that the 100% digital program reports every year to Scrutiny, and the next time will be 3rd April 2024. The report will focus on what has happened this year and will look at plans and priorities for next year. It was noted that the first draft of the report would be available to Members from 15th March. Priorities for both inclusion and learning is the adoption of technology. The role of 100% Digital is to work with colleagues not just in IDS, but across the organisation and the city to ensure that people have all they need to adopt the technologies to improve their lives,

talking about citizens and communities or improve their experience at work.

- The service is starting to establish directorate digital road maps with a product road map for each product to plan effectively how that product will be used across the Council. A repository is being set up to store this information so that the service can plan the use of products. There is also a product portfolio in the Digital Change Team, which has 101 products at various stages of introduction, growth, maturity and decline to allow effective planning on their use.
- IDS have three big schemes which are the Essential Services Programme, Digital Efficiencies Programme and the Cloud Application and Compliance programme.
- The Service Centre are working to create a Dashboard that will be used to report on the performance of the Service Centre against Key Performance Indicators.
- Cyber assurance and security is crucial for the Council. Therefore, each year IDS must align to the PSN certification. This involves some testing where hackers come into the Council to try and break into systems, this is a major piece of work for IDS. The Committee was informed that the Council had just been awarded the PSN certification for 2024/25. It was noted that access databases need to be removed from the estate before going for accreditation next year. A report is due to go to CLT in relation to this.
- Feedback from the election process using ID's had been taken on board from 2022 and there was a different process in place for 2023 which was better, so the same format will be used again for the forthcoming elections.
- The report provided information on Power Apps to improve services for the Council.
- Within the report there was also information in relation to the survey of internal control which picked up areas of improvement for IDS, such as business partners.

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

- EDI is tracked and will be addressed in the report next year.
- Capital can be used to bring staff in to assist with big projects, to speed up delivery.
- Apologies were made in relation to the typo in the report. It was thought that it should have read Children and Families, but this would be checked.
- IDS were taking a fresh look at Lean IX to see if they would be using it, as the company had been bought by another company who were renowned for their very expensive licensing. Therefore, IDS would be checking to ensure that it would give the Council what it needs and represented value for money.
- The Council has received around £9m from UK Shared Prosperity Fund over a three-year programme which is to be spent on a range of different issues, and with money from 100% Digital and with money

from the Localities and Communities Team, the Council is combining efforts to put free Wi-Fi for communities into more community centres. A list of community centres in priority wards is being checked to ensure that the buildings used will be remaining open over the next 18 months, so currently looking at about 13 community centres. 100% Digital are looking to fund an officer who can provide support in relation to equipment and use of the equipment and improve I.T. skills. It was noted that a report was due to go to Executive Board. Members requested that the report was also provided to the Committee. It was also noted that Elected Members wished to be informed which communities and where, and if required they would be willing to assist where possible.

- The Council has 300 licences for Microsoft Co-Pilot which is A.I. embedded into Microsoft 365. IDS are currently working with staff across all the directorates to see how this can support staff to work more effectively and efficiently. It was recognised that A.I. is new and security risk was checked. It was noted that A.I. in some areas was showing to be invaluable.
- IDS are looking to deploy a new Contact Centre solution called Genesis in the new financial year.
- IDS will be addressing issues of cyber attacks over the coming months, these will be in the form of simulated phishing attacks, this will not be communicated to staff, but IDS will follow up with staff to offer support where required. There will also be training around cyber-attacks, it was recognised that this had to be a continuous cycle of communication. It was noted that this would also relate to 100% Digital to ensure that some of our most vulnerable people in the community are not victims of cyber-attacks. IDS has links to all the Council networks such as DAWN.
- In relation to the Council's website, it was noted that the website is analysed for ease of use and how many times used.
- Leeds free Wi-Fi is available in 150 buildings, but it was acknowledged that it was not possible to check age-restrictions but can filter certain things and it is always under review.

RESOLVED – To note the positive assurances set out in the IDS Statement of Internal Control attached to the report at Appendix A.

66 Internal Audit Update Report

The report of the Chief Officer Financial Services provided assurance that the internal control environment is operating as intended through a summary of the Internal Audit activity for the period from September to December 2023.

The presenting officer provided the Committee with the following points:

- It was noted that there have been some changes to the plan to provide support to Information Management considering the ICO review.
- Recommendation Tracking currently has 16 open, however, 15 of these were not due yet. It was noted that the Service is due to have

conversations with the services and set dates for completion. Some of the recommendations were more than three months but assurance was given that the services were still working on them.

- The Adults and Health review was just starting. Any reviews not started in this year would roll over to 2024/25.

In response to questions the following information was provided:

- The suggestion from the Committee to see details of how many recommendations had not been completed and where certain directorates were not responding would be included in future reports. It was noted that the only changes to date were with processes and systems hindering the recommendation tracking.
- A typo was noted on page 147 of the agenda pack and should have said 'A 'Dashboard' had been developed to strengthen performance management and presentation outcomes'.
- It was recognised that the Committee had concerns about the way the school's assessments were undertaken. The Service would look at how they worked with the school's team on assessments and there was a need to get assurances from schools. This detail would be provided in the planning process to the March meeting.
- The Service were trying to monitor more robustly what influence they are providing through advisory work, to see that the check and challenge is influencing their direction of activities. Therefore, the team would be looking at the outcomes of this work and it was the view that this is key to achieving the right balance of what assurance work the team do and what advisory work they do.
- Regular meetings take place with other core cities, partners and regional groups and it was noted that they are facing the same issues so provided the opportunity to benchmark.

RESOLVED – To:

- a) Receive the Internal Update Report covering the period from September to December 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 the Internal Audit during the reporting period.
- c) Receive the report providing information relating to the Monitoring of Urgent Decisions covering the period from September to December 2023.

Cllr Robinson briefly left the room at 11.30, returning at 11:45 during this item.

67 Counter Fraud Update Report April - December 2023

The report of the Senior Head of Audit, Corporate Governance and Insurance provided assurance that the internal control environment is operating as intended through a summary of the counter fraud activity for the period April to December 2023.

The Senior Head of Audit, Corporate Governance and Insurance presented the report and provided the following key points:

- The work is split into different parts the work of the dedicated counter fraud team in Internal Audit and then oversight of what happens across the Council.
- First part of the report provides information on the referrals received, and the outcomes, these were summarised as contain some confidentiality.
- The updated Anti-Bribery Policy was attached at Appendix B for the Committee's endorsement. It was noted there were no major updates, but it had been refreshed. Members were advised that the 'Policy on Page' was key to simplifying policy and make it more accessible to people. There was also a push for more engagement from the service with directorates. The use of a Dashboard is something that the team are keen to develop as well as the engagement with directorate leadership teams to help with the oversight position around how fraud risks are being managed across the Council.
- The service is looking at where they need to focus attention and are talking to other authorities on their approach to some of the risks.
- The report also updated the Committee on the Council's use of the Regulation of Investigatory Powers Act 2000.

RESOLVED – To:

- a) Receive the Counter Fraud Update Report covering the period from April to December 2023 (Appendix A) and note the work undertaken by Internal Audit and other service areas during the period covered by the report.
- b) Endorse the Anti-Bribery Policy (Appendix B) and Policy on a Page (Appendix C).

68 Update report on Government Proposals to address the national audit backlog, and Grant Thornton's Response and update on the Audit 2021/22

The report of the Chief Finance Officer informed the Committee of the Government's most recent proposals to address the backlog on incomplete audits across local government in England.

The Head of Finance provided the following information to the Committee as there had been developments to the item since the circulation of the papers to Committee:

On Friday 9th February, the Government had issued a joint statement in conjunction with the National Audit Office, the Financial Reporting Council and various other interested bodies. It set out the proposal to bring the timescales for local authority audits back in line gradually over a 5-year period.

Accompanying that statement there are to be two consultations, one on the Accounts Audit Regulations for Councils and one on the Code of Audit Practice which applies to auditors. There is due to be a third consultation from

CIPFA which will make changes to the 2023/24 and 2024/25 accounts requirements for property valuations and pensions disclosures. The aim of which is to reduce the amount of time that is needed to be spent by both accountants and auditors on those areas over the next two years.

The draft Accounts and Audit Regulations introduce the expected backstop of 30th September for councils to publish audited accounts for 2022/23 and any earlier years that are outstanding. They will also introduce over the following five years a series of backstops, starting with 31st May 2025 backstop for the 2023/24 final audited accounts, and then gradually reducing those timescales over the following five years. The Government as part of that consultation are proposing to extend the deadline for local authority draft accounts for 2024/25 beyond the 31st May, due to the coincidence of that backstop. There are no current proposals to extend the draft accounts for this year. However, they may not have appreciated that this year's backstop is likely to have caused auditors to want to carry on audits during April and May this year. It was noted the Council will be addressing this in its response to the consultation.

In terms of requirements for auditors there is a change in the Code of Audit Practice and auditors will be required to produce audit reports and audit opinion in sufficient time for councils to meet those backstops dates. Where the audit opinion has been modified or disclaimed as a result of the backstop there is guidance that auditors need to be clear in their audit opinion that, that is the case. The guidance also says if auditors are issuing a modified or qualified opinion for reasons other than the backstop, they are required to consider whether a Statutory Recommendation or Public Interest Report would be appropriate.

Grant Thornton presented their report providing the following information:

- The report was a summary of where they are with the respective audit years that are still open.
- The 2021/22 accounts audit was still ongoing. Two versions of the draft ISA 260 report had been presented to the Committee in the last 12 months. It was noted that work had continued on this audit since the meeting and was about 90% complete. They were now working through the remaining outstanding areas which were valuation of property, plant and equipment fixed assets and also some aspects of the 'technical hot review' that the 2021/22 accounts were subject to. The area of property, plant and equipment takes a lot of auditors, council officer and valuers time and this is what the consultation issued is trying to address. However, for the 2021/22 and 2022/23 audits it would remain a requirement.
- Regular engagement is taking place between the auditors and the Chief Finance Officer and the Finance Team on a weekly basis to ensure that deadlines of the end of March are reached for 2021/22 audit. It was noted that all parties are committed to finalise by the end of March so that they can move forward into the 2022/23 audit.
- It was acknowledged that whilst the accounts audit has two years ongoing the Value for Money audits are up to date for both 2021/22

and 2022/23. The I.T. Controls Report for 2022/23 had also been reported to Committee.

- The Consultation said that there will be a backstop date of the end of September 2024 for all account years.
- Grant Thornton as a firm is taking a very clear line that anything not concluded by the end of March is likely to be backstopped, on the basis that their resources typically shift to their NHS clients in April, May and June. This would leave a tight timescale between July and the end of September to deliver a number of local authority audits, especially factoring in annual leave on both sides. It was noted that discussions had taken place between the auditor, the National Head of Public Sector Audit, and the National Head of Audit at Grant Thornton. The auditor had made a case for continuing with the 2022/23 accounts audit at Leeds as the Chief Finance Officer was keen for them to continue. It was noted that as long as 2021/22 could be concluded by end of March, the firm would immediately progress onto 2022/23 audit from the beginning of April through to the end of September. To do this they had set aside two of their more experienced auditors, who would not be taking part in the NHS audits.
- It was acknowledged that there were risks and these had been set out in the paper.
- Grant Thornton recognised that the Council was taking this seriously and the Chief Finance Officer had shared discussions at CLT on this issue. The Chief Executive had made a clear statement to colleagues to ensure that the Finance Team and external auditors get the required responses and input between now and the end of September.
- The Committee were informed that the issue of the backstop would feed into the workshop that Grant Thornton was doing for the Members at the beginning of March.

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

- Grant Thornton as a firm was looking at authorities where audit work has gone on significantly after the balance sheet date that the accounts relate to. If they got to the position of a Statutory Recommendation, it would be an elevation of previously reported issues for this Council. It was noted that in previous years as part of the Value for Money accounts there had been issues raised in relation to accounts for the previous three years, which the auditors had thought were not sufficiently addressed when they came to do the Value for Money audit in 2022/23 and they had elevated this in November, from an improvement level recommendation to a key level recommendation. Therefore, if the 2021/22 accounts cannot be signed off in March, then the view would be that since the key recommendation this would be a possible case for raising a formal Statutory Recommendation.
- It was noted that out of the auditors own local government portfolio, Leeds was the only one which had not signed off its accounts for 2021/22 and 2022/23. However, as a firm they audit over 40% of the market, and there are a number of clients who have 2022/23 or earlier

audits that are outstanding. Grant Thornton was of the view that there should be a backstop of 31st March for the 2021/22 audit.

- It was noted that when Leeds had received Value for Money opinions officers had not agreed with the recommendations. However, improvements had been made on the working papers and the timeliness etc. The Chief Finance Officer was of the view that the recommendation had only been put to the Council in November and therefore, had not had time to make the differences that Grant Thornton would be able to see, to enable issues to be resolved. It was noted that to make a Statutory Recommendation would mean that this would need to be put before full Council within two weeks of it being issued. An Action Plan must be created on how going to improve for discussion at full Council. However, if it is on a backstop date it would be difficult to be able to show improvement as the date would have already been missed. The Council was committed to work closely with Grant Thornton to ensure that the audits were progressed to meet the deadlines. The technical details and regulations that the Council must adhere has meant that the Council has had to spend time explaining them. The Council has also had 'hot reviews' and FRC reviews which have required a lot of additional resources. As the Section 151 Officer, she wanted it noting that she was of the view that if a Statutory Recommendation was issued this would be unfair and not justified.
- Grant Thornton in their response said that the Section 151 Officer had said this to him in discussions and he takes her comments on board. The auditor reiterated the firms audit approach for Leeds was no different to any other local authority. However, both sides were committed to work closely together to get the 2021/22 audit concluded at the end of March.
- Members were of the view that the report had been written using punishing terms of phrase. They had concerns that the way it was written would have an impact on staff wellbeing, especially at any point a single milestone was missed.
- If Grant Thornton were unable to complete the audit as the backstop had not been met, the auditor said that the issue of the auditor's fee would need to be resolved nationally.
- The milestones had been proposed by Grant Thornton and needed to be finalised with the Finance Team before they could be agreed.
- Grant Thornton do audit other core cities, but they were not in this auditor's portfolio. However, his colleagues were facing similar conversations with other authorities in relation to the backstop date. It was noted that Leeds was the largest council that the Leeds office audits.
- It was noted that in terms of understanding there was a lot of questioning and there is a prescribed approach to the level of public sector audits. There was a lot of granularities of audit work following requirements of the FRC. It was noted that four or five years previously the public sector files were not of a standard required by the FRC, and this was on detailed testing of areas of estimate and judgement. Therefore, there was more detailed work undertaken on valuation of assets and the West Yorkshire Pension Fund.

- Members highlighted page 5 of the supplementary information, which said that if a milestone was missed Grant Thornton would revert to the backstop. Members were of the view that this was a tremendous pressure to put on staff. It was noted that if this situation arose there would be discussion with the Chief Finance Officer and the team to look at reasons why the milestones had not been met.
- The Chief Finance Officer clarified that the 2022/23 audits would be done by Grant Thornton and as far as she was aware there would be no 'hot reviews', or audits by FRC. It was noted that the teams involved with the audit process are also working on other areas as well as bringing in a new financial system and they were under pressure. It was noted that CLT were supportive to provide additional resources to ensure that the Council meets deadlines to get the accounts audited. Grant Thornton confirmed that no 'hot reviews' or FRC reviews should happen in the coming months.
- The Director of Strategy and Resources reiterated that the Chief Executive was fully committed to this. It was noted that all Managers had been written to emphasising the importance of getting information in relation to the audits to ensure that deadlines were met. A request was made that early conversations were had to address any concerns by the auditors, so officer time was used as effectively as possible.
- Members were of the view that the Council was in this position because of a national issue.
- It was noted that over 900 local authority accounts across the country were outstanding, some dating back as far as 2016. There are roughly 480 local authorities, police bodies, national parks etc in any one year. So, some authorities within the 480 have multiple years outstanding. Numbers were confirmed by the Chief Finance Officer as; 25 had not published to 2021/22 accounts, 142 have not been completed, and 146 have completed audits for 2022/23, 64 councils had not published their accounts, 215 had not been audited, and 33 had completed their audits.
- Should a Statutory Recommendation be proposed, there would be a consistency review and panel within Grant Thornton, this with the most senior public sector partners would be part of the process alongside the auditors and relevant senior management at the Council. Should it be that the accounts are captured by the backstop, the auditors would have to issue a modified audit opinion. However, the consequences of that were still to be confirmed, as there were a number of sets of accounts outstanding nationally. Normally if a disclaimer opinion is issued, this is significant and would require a significant level of audit resource on the following year's set of accounts as there would not be any assurances over the opening position as the work would not have been completed on the previous year. However, due to the number of authorities likely to be captured by the backstop, it was the expectation that there would be a work around on the opening balances for local authorities that had not had a full audit. It was noted that the Council had produced accounts for 2022/23 but these may change as a result of anything that has significantly changed in 2021/22.

- Members were informed that by the next meeting of the Committee on the 18th March, it is expected that the accounts for 2021/22 would be virtually ready for signing off. It was clarified that Grant Thornton's position for the deadline was the 31st March for the 2021/22 accounts and to date the accounts were 90% complete.
- Procurement for external audit had just finished. The Council is part of national group who procure for a number of authorities at the same. It was noted that the five-year contract starts with 2023/24 and Leeds has been allocated Grant Thornton. Members were informed there would be a different audit engagement lead.
- It was noted that a proposed plan had been produced to address what is required for the audit and this was appended to the report. Members were advised that after the meeting the Finance Team were due to meet to consider the priorities for the work to be undertaken. Meetings would be held with staff to ensure that everyone knew what was required and when. There would also be an extra resource to support the Head of Finance in the programme management of the audit. Mapping is to be undertaken to ensure that the team know when queries are coming in, who has responded and when the response has been sent. The team have weekly meetings with Grant Thornton and the Chief Finance Officer has monthly meetings to ensure that the Council knows what is outstanding and what needs to be done.
- It was still unclear how many authorities would receive a Statutory Recommendation. However, in the case of Leeds it was made clear that it would follow the due process by Grant Thornton.
- Grant Thornton was of the view that it wished to keep the wording in the report as it was. They recognised that it was a stronger form of words than used previously, however, it emphasised the significance that the firm was interpreting the circumstances at Leeds, to ensure that the audits are completed by the end of September.
- Grant Thornton confirmed that they have allocated the strongest people to the Leeds audits, particularly for the 2022/23 audits they have withheld two of the most experienced auditors from NHS work. These auditors would be supplemented with the firm's most experienced trainees and part qualified members of staff who have worked on Leeds audits previously, so they have an understanding of the team and the systems and processes. It was also confirmed that this was the case for the remainder of the 2021/22 audit.

The Chair thanked Grant Thornton and the Leeds Finance Team for work on the audits, but especially to the Chief Finance Officer and her team for working so hard to meet the deadlines.

RESOLVED – To note the information provided in the report on the Government's intention to introduce a backstop date, and to note Grant Thornton's proposed course of action for the 2022/23 audit and their progress towards completing the 2021/22 audit.

69 Corporate Governance and Audit Committee Work Programme 2023-24

The report of the Chief Officer Financial Services presented the work programme for the Committee, setting out future business for the Committee's agenda and when items would be presented.

Members were advised that the work programme for next year was currently being developed and if they had any suggestions for future items, these could be emailed to the Chair.

RESOLVED – To approve the work programme and the meeting dates at Appendix A.

70 Date and Time of Next Meeting

RESOLVED – To note the next meeting was scheduled on Monday 18th March 2024, at 10.30am.