

## Corporate Governance and Audit Committee

Friday, 26th November, 2021

**PRESENT:** Councillor K Maqsood in the Chair  
Councillors J Bentley, M Foster,  
P Grahame, P Harrand, J Illingworth and  
P Truswell  
Linda Wild – Independent Member

### 43 Appeals Against Refusal of Inspection of Documents

There were no appeals against the refusal of inspection of documents.

### 44 Exempt Information - Possible Exclusion of the Press and Public

There were no items identified where it was considered necessary to exclude the press or public from the meeting due to the confidential nature of the business to be considered.

### 45 Late Items

There were no late items of business identified.

### 46 Declaration of Interests

There were no declarations of interest made at the meeting.

### 47 Apologies for Absence

Apologies for absence were received from Councillor J Shemilt

### 48 Minutes of the Previous Meeting

The minutes of the previous meeting held on 24<sup>th</sup> September 2021 were submitted for comment/ approval.

**RESOLVED** - That the minutes of the previous meeting held on 24<sup>th</sup> September 2021 were accepted as a true and correct record.

### 49 Matters Arising from the Minutes

The Committee received the following up-date on matters previously considered by this Committee:

Public Sector Network Certification (PSN) - Update Report (Minute No.35 referred) – The Committee were advised that the Data Protection Officer was

pleased to report that the second PSN submission, entered within the guidelines set out by the Cabinet office, was successful. LCC now had a PSN certificate which would ease compliance work across the Council and enable data to continue to be shared where it was needed.

It was reported that the work completed by the PSN Taskforce had been celebrated by IDS with a nomination for the Awards for Excellence in the category 'Team of the Year'.

Members were informed that the team would continue into 2022 with the annual IT Health-check taking place in January and a planned PSN submission date for July.

Annual Treasury Management Governance Report (Minute No 37 referred) – At the last meeting Members sought clarification around the audit arrangements for treasury management for 2019/20 – It was reported that the requested information had been circulated to all Members of the Committee on 19<sup>th</sup> November 2021.

Internal Audit Update Report May to July 2021 (Minute No.39 referred) – With reference to the last meeting when it was agreed that the Chair on behalf of the Committee be requested to write to the Chief Executive with a request that all Chief Officers remind their staff of the importance of completing Customer Satisfaction Questionnaires following a review of work undertaken by the Audit Section – It was reported that the matters had been raised at Corporate Leadership Team and communicated to the Best Council Leadership Team on 22<sup>nd</sup> October 2021

## **50 Annual Assurance Report on Financial Management**

The Chief Officer Financial Services submitted a report which provided assurance that the Council had established an effective financial control environment including robust arrangements for strategic financial planning combined with effective financial management and control.

Addressing the report, the Deputy Chief Officer Financial Services confirmed that the Council had a sound framework for reviewing and challenging financial performance, it also had realistic plans in place to make the necessary savings in the 2021/22 financial year and was taking the appropriate steps to deliver them. The Authority had contingency plans in place to help to manage unforeseen variations against the budget.

Members noted the report fulfilled the requirement in the Chief Finance Officer's protocol, (Section 5k of the Council's constitution), that the Chief Finance Officer would report to this Committee annually to confirm that the arrangements set out in the protocol had been complied with and set out proposals for amendments in the light of any issues that had arisen during the year.

Reference was made to the section “Clearly Communicate” Members questioned whether a briefing on the background to Local Government Finance has been received by new members.

Members were informed that the COVID-19 pandemic had impacted upon the delivery of this briefing, but it is the intention to provide a financial briefing on this issue which would be open to all Members.

**RESOLVED** – To note the assurances provided by the Chief Officer Financial Services that:

- (i) The appropriate systems and procedures were in place to ensure that there was sound financial management and control across the Authority
- (ii) The arrangements set out in the Chief Finance Officer protocol had been complied with.

## **51 Procurement of External Auditor**

The Chief Officer, Financial Services submitted a report which set out the proposals for appointing the external auditor to the Council for the statutory financial accounts for the five-year period from 2023/24.

Addressing the report, the Deputy Chief Financial Services Officer explained that by early March 2022, the Council would need to make the decision on how it would appoint external auditors for accounting periods 2023/24 onwards. External Auditors would need to be appointed for the accounting period 2023/24 by the statutory deadline of 31<sup>st</sup> December 2022.

Members were informed that under the Local Government Audit and Accountability Act 2014 (“the Act”) the Council was required to secure the appointment of an auditor to audit its accounts for each financial year. In doing so the Council had three options;

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other local authorities to procure an auditor following the procedures in the Act.
- To opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the “appointing person”. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

It was reported that following consideration of the three options it was concluded that the sector wide procurement conducted by PSAA would produce better outcomes and would be less burdensome for the Council than a procurement undertaken locally.

Members queried if the Council would have any involvement in negotiations with the audit fee.

In responding the Chief Financial Services Officer said that the PSAA undertook the negotiations on behalf of all Local Authorities which achieved value for money.

Members asked what opportunity the Council would have to influence the nature of the audit.

Members were advised that the nature of the audit was prescribed by regulations and that negotiations would not therefore alter the nature, work, coverage or standards required in the audit.

Members asked if this procurement process was identical to previous appointment.

The Chief Financial Services Officer confirmed that this appointment process was the same as previous procurements.

**RESOLVED** – To recommend to Full Council that the Council accepts Public Sector Audit Appointments' invitation to opt into the sector led option for the appointment of external auditors from 2023/24.

## **52 Procurement Review Update Report**

The Head of Procurement and Commercial Services submitted a report which provided an update as to progress made in relation to the P2P review which included recommendations from the LGA Peer Review.

Addressing the report, the Head of Procurement and Commercial Services said the report provided an update as to progress made in relation to the P2P review (including dovetailing the P2P review with recommendations from the LGA Peer Review while seeking to deliver greater strategic value from procurement activity).

The report informed Members that in accordance with the Corporate Governance Code and Framework, the P2P review sought to review the efficiency and effectiveness of all P2P related processes in order to ensure compliant procurement activity, to deliver value for money in relation to external spend, and to have the capacity/capability to be effective.

It was also reported that whilst consulting with Internal Audit on the proposed changes to CPRs it came to light that there was an anomaly between Finance, Contract and Legal Matters) and Article 13 of the Constitution (Decision Making). Extending the existing simplified contract signing processes under Article 14 by 1p to include contracts valued at exactly £100K, would align with the simplified decision-making processes in relation to Administrative Decisions under Article 13, ensuring clarity and efficiency.

Commenting on Social Value, Members asked whether there was intention to extend the current 10% weighting in favour of social value on procurement activity, as some other Local Authorities do.

In responding, the Head of Procurement and Commercial Services said of the initial 10% weighting would be reviewed over the first year. The intention was to get social value properly embedded, to receive and understand the data via a monitoring report, before considering increased weighting toward social value.

Members sought further details about the role of a new Commercial Finance Manager to explore income generation and trading opportunities.

Members were informed that the Commercial Finance Manager started in post on 6<sup>th</sup> September, from a private sector commercial finance background. It was reported that an initial review of current fees and charges levels, and commercial activity across the Council had commenced with a view to ensuring costs were fully recovered and to seek to maximise income generation.

Members made reference to the LGA Bespoke Remote Peer Support (Document) - Key Reflections, noting Recommendation No.7 that:

“Elected Members should be engaged with the strategic decision making for procurement and contract management. There should also be Member representation on the social value and climate change boards”.

The Head of Procurement and Commercial Services noted in responding that the Social Value board reports to Scrutiny in relation to social value matters, and that the Corporate Governance and Audit Committee receive annual assurance reports in relation to procurement arrangements. However, Member engagement and oversight could be reviewed should Members wish.

The Chair thanked the Head of Procurement and Commercial Services for his attendance and contribution.

#### **RESOLVED –**

- (i) That the contents of the report be noted
- (ii) To support the proposal to extend the existing the simplified contract signing process under Article 14 of the Constitution to also apply to contracts valued at exactly £100K, and thereby align with the Administrative Decision-Making process values under Article 13 of the Constitution.

### **53 Internal Audit Annual Report and Opinion 2020/21**

The Head of Audit submitted a report which set out the annual opinion of the Head of Audit which provided a source of assurance that the internal control environment was operating as intended through a summary of the Internal Audit activity for the period from May to July 2021. The report also highlighted incidence of any significant control failings or weaknesses.

Addressing the report the Head of Audit said that the Public Sector Internal Audit Standards (PSIAS) required the Head of Audit to deliver an annual internal audit opinion and report that could be used by the council to inform its governance statement.

Members noted that the opinion provided by the Head of Internal Audit was based on the work undertaken and completed relating to 2020/21 regarding the adequacy and effectiveness of the Authority's framework of governance, risk management and control.

Members were informed that the work undertaken to support this opinion had been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

Referring to the number of referrals, (Page No. 90 of the submitted report) Members noted that the majority of referrals (37) related to the Resources and Housing Directorate, Members asked if there was a reason for this.

Members were informed that Covid-19 Grant Applications fell within the remit of that Directorate.

Members joined the Chair in expressing their thanks and appreciation to the Audit Team for the work undertaken throughout the year.

**RESOLVED** – To receive the Annual Internal Audit Report and Opinion for 2020/21 and note the opinion given. In particular:

- (i) that on the basis of the audit work undertaken during the 2020/21 financial year, the internal control environment (including the key financial systems, risk and governance) were well established and operating effectively in practice
- (ii) a satisfactory overall opinion is provided for 2020/21, based on the audit work detailed within the submitted report
- (iii) that the work undertaken to support the opinion had been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing
- (iv) to note that there had been no limitations in scope and nothing had arisen to compromise the independence of Internal Audit during the reporting period.

## **54 Approval of Annual Governance Statement**

The Chief Officer, Financial Services submitted a report which presented the final Annual Governance Statement (AGS) for approval by Committee in advance of the Committee's approval of the audited Statement of Accounts.

Addressing the report, the Internal Audit Manager explained the Annual Governance Statement was a statutory requirement and must be published alongside the council's audited statement of accounts.

Members were informed that the Annual Governance Statement had been updated reflecting developments in the Council's governance arrangements, with further assurance becoming available since the Committee approved the Interim Governance Statement in July 2021.

Commenting on the General Fund Reserve, Members queried if the amount of reserve was satisfactory

The Chief Officer Financial Services said the Medium-Term Financial Statement recognises the intention to increase the level of reserve year on year; and that the level of reserves were considered as part of the assessing the risk environment when setting the budget.

**RESOLVED** – That the Annual Governance Statement for 2021/22 be approved.

## **55 Counter Fraud Update Report**

The Chief Officer, Financial Services submitted a report which sets out details of the counter fraud activities undertaken by the Internal Audit service between the period April 2021 and September 2021.

Addressing the report, the Principal Audit Manager spoke in detail about the report and highlighted the following areas of work:

- Reactive Anti - Fraud Work
- Proactive Anti- Fraud Work
- Counter Fraud and Corruption Strategy and Response Plan
- Whistleblowing Policy Review

The Chair thanked Officers for the report and work undertaken.

**RESOLVED** –

- (i) To note the assurances as set out in the submitted report.
- (ii) To endorse the Counter Fraud and Corruption Strategy and Response Plan noting that the Policy Statement on Fraud and Corruption will be discontinued.
- (iii) Endorse the Whistleblowing Policy noting that the Raising Concerns Policy will be discontinued.

- (iv) To endorse the role of a Counter Fraud and Corruption Champion noting that the party whips will appoint to the role.

## **56 Grant Thornton Audit Progress Report**

The Chief Officer, Financial Services submitted a report which provided an update from the external auditors, Grant Thornton on their 2020/21 audit. The report outlined the findings from their interim audit work and offered commentary on progress to date on the final accounts audit.

The Chair welcomed Mr Gareth Mills and Mr Perminder Sethi from Grant Thornton.

Addressing the report Mr Mills said Members would be familiar from previous discussions of the challenging nature of the availability of specialist public sector external audit staff, and the volume of local authority audits which continued after last year's target date of completion of 30<sup>th</sup> November 2020, including Leeds City Council. He said this background coupled with the impact of Covid-19 remote working and the need to prioritise NHS clients given their earlier audit deadline of June 2021, had meant that local authority audit work had been delayed in comparison to the normal timings and profile of delivery.

It was also reported that the new Code of Audit Practice which came into force in April 2020 introduced an Auditor's Annual Report, containing a commentary or arrangements to secure value for money and any associated recommendation. This new approach was more complex, more involved and was planned to make more impact.

Commenting on the 2020/21 audit, Mr Mills said it was now proposed that completion of the audit field work on the majority of the accounts would be done by late December 2021 with a view to completing any remaining fieldwork in January and signing the audit opinion by 31<sup>st</sup> January 2022.

Members asked what assurances could be provided regarding audit quality, in the light of recent regulatory findings regarding two Grant Thornton audits of companies.

In responding Mr Mills said the instances referred to were in the private sector arm of Grant Thornton and related to audits which took place some time ago.

Mr Mills explained that the public audit sector was heavily regulated with the FSA undertaking a review of work undertaken in the sector based on a sample of audit files. A recent thorough review of an audit undertaken by Grant Thornton had resulted in positive feedback.

Mr Mills gave an assurance to the committee that audit work undertaken was appropriate, detailed, in line with requirements and of appropriate standard.

The Chair thanked Mr Mills and Mr Sethi for their attendance.

**RESOLVED** - To receive the Audit Progress Report and to note the progress to date in delivery of the 2020/21 audit.

**57 Work Programme**

The Chief Officer Financial Services submitted a report which set out the proposed Work Programme for the remainder of 2021/22.

With reference to decisions made earlier in the meeting, the work programme be amended as follows:

Approval of the Audited Accounts & Audit Report (ISA 260) – Moved to February 2022 – (Minute 56 referred).

**RESOLVED** – With the inclusion of the above, the Work Programme be amended accordingly

**58 Date and Time of Next Meeting**

**RESOLVED** - To note that the next meeting will take place on Friday, 17<sup>th</sup> December 2021 at 2.00pm in the Civic Hall, Leeds.