

## **Corporate Governance and Audit Committee**

**Monday, 21st March, 2011**

**PRESENT:** Councillor G Driver in the Chair  
Councillors P Grahame, N Taggart,  
G Kirkland, A Lowe , P Harrand, W Hyde,  
J Lewis and T Hanley

**Co-optee**  
G Tollefson

Apologies Councillors C Campbell and J Elliott

### **103 Matters Arising**

Making reference to the pending departure of the Assistant Chief Executive (Corporate Governance) from the Council, the Chair expressed the Committee's thanks for the help and guidance provided to the Committee by the Assistant Chief Executive and wished Ms Jackson well for the future.

### **104 Appeals Against Refusal of Inspection of Documents**

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

### **105 Exempt Information - Possible Exclusion of the Press and Public**

There were no resolutions to exclude the public.

### **106 Late Items**

There were no late items submitted to the agenda for consideration excepting a proposed revision to the minutes of the previous meeting held on 14<sup>th</sup> February 2011.

### **107 Declaration of Interests**

There were no declarations of interests made.

### **108 Apologies for absence**

Apologies for absence were received from Councillors C Campbell and J Elliot.

## 109 Minutes of the Previous Meeting

The minutes of the Corporate Governance and Audit Committee held on 14<sup>th</sup> February 2011 were approved as a correct record subject to an amendment to the resolution contained in Minute 96 – Implications of the Localism Bill for the ethical framework in Leeds. The minute to now read as follows:

The Chair of the Standards Committee and the Head of Governance Services presented a report of the Assistant Chief Executive (Corporate Governance) which sought preliminary views from the Committee as part of a consultation process on aspects of the Localism Bill which relate to the Council's ethical governance arrangements, specifically: Members' Code of Conduct; Standards Committee; and Local Assessment arrangements.

Members discussed the report in detail, considering the various questions relating to the Standards Regime which had been framed in response to the Member Code of Conduct implications of the Localism Bill.

Members considered whether in principle a code of conduct need be put in place. Members commented that public interest in such arrangements is likely to remain. Members also commented that should a new code be introduced consideration of allegations of misconduct should be different to what has gone before in that Members should be informed from the outset that a complaint had been made against them. Furthermore that it would be essential for any complaint to be reviewed before any proceedings take place to ensure that frivolous complaints are rejected.

Members were also of the view that if adopted any new code of conduct should be signed by all current Members and any new Members on being elected to the Council.

The Committee agreed that if any local arrangement be introduced consideration would need to be given as to the role of independent people as co-opted Members.

**RESOLVED** – Members resolved that:

- (a) should a voluntary code of conduct be introduced by the Council, that the code be different to the previous code, specifically allowing Members to be informed from the outset of any complaint made in respect of their compliance with it; and
- (b) a further report be brought to the Committee providing details of the wider governance implications of the Localism Bill.

(Councillor Lowe entered the meeting at 10:08am during the discussion if this item)

## **110 Minutes of the Standards Committee**

The Committee reviewed the Standards Committee minutes. The Chair of the Standards Committee informed Members that owing to the Standards Committee now not meeting on a regular basis and there subsequently being a back log of Corporate Governance and Audit Committee minutes to be noted it had been requested that the minutes not be added to the Standards Committee agenda pack and that the Chair of Standards Committee update the rest of the Standards Committee of any key issues discussed by the Corporate Governance and Audit Committee.

Members commented that at minute 28, – Ethical Audit Action Plan – HR Issues Updates, the actions assigned to the Chief Officer (Human Resources) following the ethical Audits undertaken in 2006 and 2007 have only just being completed and that this was a long time for work to be outstanding.

**RESOLVED** – The Committee Resolved to:

- (a) note the minutes of the Standards Committee;
- (b) note the intention of the Standards Committee to not receive the Corporate Governance and Audit Committee minutes; and
- (c) request that information relating to any further outstanding actions following the Ethical Audits in 2006 and 2007 be circulated to members of the Committee.

## **111 KPMG report - Financial Statements Audit Plan**

The Principal Financial Manager presented a report of the Director of Resources which informed Members of KPMG' audit plan for the audit of the Council's accounts. The attached report from KPMG highlighted the risk based approach to the audit and the main risks they had identified for 2010/11. The report also provided a summary of the actions undertaken by officers of the Council to mitigate the risks identified.

Mike McDonagh and Alison Ormston from KPMG were in attendance to present the KPMG Financial Statements Audit Plan 2010/11 to the Committee.

Members discussed the audit fee with the representatives from KPMG, highlighting their concerns over an increasing fee in light of the Council's current financial position. Mike McDonagh confirmed that if the audit could be completed for less than the stated price of £530,383 then KPMG would reimburse the Council. It was noted that the risk factors that would determine whether such a course of action was possible were highlighted in KPMG's statement of audit fee assumptions.

The Committee also discussed why the Council was recognising assets on the Balance Sheet when they had been sold or demolished and sort assurance that the new procedures being put in place would minimise the risk of such errors in the future.

**RESOLVED** – The Committee resolved to:

- (a) agree the external audit plan in respect of the Council's financial statements;
- (b) note the action taken by officers to manage the risks identified;
- (c) request a report on how the new procedures would minimise the risk of assets being recognised on the Council's Balance Sheet when they have been sold or demolished; and
- (d) To receive a further report on the 2010/11 audit fee and the extent to which KPMG were able to finalise the audit at a cost below that previously agreed.

#### **112 KPMG report - Grants and Returns in 2009/10**

The Principal Finance Manager presented a report of the Director of Resources which informed Members of the result of the work KPMG have carried out on the certification of grant claims in respect of 2009/10.

Mike McDonagh and Alison Ormston from KPMG were in attendance to present the work undertaken on the certification of grants and claims for 2009/10.

**RESOLVED** – The Committee resolved to note the results of the 2009/10 audit of grants and returns.

#### **113 Annual Information Security Report**

The Project Manager (Planning, Policy and Improvement) presented a report of the Assistant Chief Executive (Corporate Governance). The report was the annual report on the steps being taken to improve Leeds City Council's information security in order to provide assurance for the annual governance statement.

Members discussed the report in detail giving consideration to the new powers being given to the Information Commissioner's Office and the potential reputational and financial risks in terms of fines for breaches of data protection principles where Council employees misplace sensitive information. Members also highlighted the increasing use of contractors who provide outsourced services and the steps that need to be taken to ensure that such contractors comply with data protection principles. In terms of attacks from intruders to the Council's systems, Members requested to know the detail surrounding any major or minor attacks.

Members considered the framework of policies being developed as part of the Information Governance Project, and the contribution these will make to strengthening the security arrangements for the Council's information assets. It was noted that many of these policies are still only at draft stage and that work should continue to complete these.

Members also commented on what access there was to the private emails of Members and other private Council information and the risks of such access being used inappropriately.

**RESOLVED** – The Committee resolved to:

- (a) note the contents of the report;
- (b) request a report;
  - 1. detailing the extent of intruder attack on Council IT systems;
  - 2. outlining progress made in agreeing and implementing the policies which are still in development;
  - 3. explaining the arrangements that are in place for access to Members' emails; and
  - 4. describing the assurance Members can gain from the Council's arrangements for information security.

#### **114 Contract Procedure Rules**

The Chief Procurement Officer presented a report of the Assistant Chief Executive (Corporate Governance) which set out the current position in relation to the Council's Contract Procedure Rules.

Members considered;

- the number of officers who can make purchases on behalf of the Council;
- the extent of work required to improve procurement controls, particularly in respect of monitoring arrangements to be introduced by the Chief Procurement Officer;
- the extent of consultation with Members when contracts with suppliers of goods and services are being drawn up; and
- the extent to which waivers to contract procedure rules are submitted and the value of those waivers.

Members also made reference to a recently undertaken Central and Corporate Scrutiny Board review of the contracts procedure rules

**RESOLVED** – The Committee resolved to:

- (a) note the contents of the report; and
- (b) request a further report be submitted to the Committee in three months time to update on progress made.

(Councillor Lowe left the meeting at 11:02am and Councillor Taggart entered the meeting at 11.15am during the discussion of this item)

## 115 Work Programme

The Assistant Chief Executive (Corporate Governance) submitted a report notifying Members of the draft work programme.

The Committee reviewed its forthcoming work programme and also considered the removal of the May meeting because of the small number of items planned for May.

**RESOLVED** - The Committee resolved to:

- (a) note the draft work programme; and
- (b) agree that the May meeting of the Committee should be cancelled.