

## Corporate Governance and Audit Committee

Friday, 7th April, 2017

**PRESENT:** Councillor P Grahame in the Chair  
Councillors R Wood, J Bentley, P Harrand,  
N Dawson, J Illingworth, K Groves,  
G Hussain, R Grahame and J McKenna

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

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

### **54 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 nature of the business to be considered.

### **55 Late Items**

Appendix 5 to Agenda Item No. 5 was inadvertently omitted from the Agenda pack and was circulated at the meeting.

### **56 Declaration of Disclosable Pecuniary and Other Interests'**

There were no declarations of disclosable pecuniary interest made at the meeting.

### **57 Apologies for Absence**

Apologies for absence were received from: Councillor K Bruce, Councillor A Sobel.

### **58 Minutes of the Previous Meeting**

**RESOLVED** – That the minutes of the previous meeting held on 27<sup>th</sup> January 2017 were accepted as a true and correct record.

### **59 Matters Arising from the Minutes**

The Head of Governance and Scrutiny Support advised the committee that in respect of Minute No. 42 (iv) a further meeting had been arranged for the Chair to meet with officers from the Valuation Office Agency (VOA) to maintain a dialogue between the VOA and the Committee. However due to unforeseen circumstances this was not possible.

A query was raised in relation to whether the VOA took into account postal code changes as part of the assessment of the Ratings List. The Head of Governance and Scrutiny replied that it was not his understanding that this was a feature of the calculation of the Ratings List.

In relation to Minute No. 48 the Head of Governance and Scrutiny Support confirmed that at the meeting of full Council in February, the recommendation made by this committee relating to the appointment of external auditors was approved.

## **60 Annual Information Governance Report**

The Head of Information Management Governance submitted a report of the Director of Resources and Housing which presented the annual assurance report to the committee on Information Governance.

Committee noted the re-structure of the Information Governance Management Team and the new senior leadership accountabilities for Information risk necessitated by the retirement of the Deputy Chief Executive.

Members received varying levels of assurance in respect of;

**Cyber Assurance and Compliance** – where limited assurance was reported as the council no longer meets Public Service Network (PSN) certification requirements. It was reported that arrangements were in place to meet monthly with the Cabinet Office to work towards meeting an action plan agreed with the Cabinet Office in order to regain certification.

Members queried what the impact was on the Council's business by not having PSN certification.

The Head of Information Management Governance assured the committee that this did not impact on current service delivery as the council still had access for example to .GCSX email accounts and Department of Work and Pensions Systems.

Members commented that Cyber Security training and awareness for staff and members should be a priority and that consideration should be given to undertaking tests to establish whether the training was effective.

The Head of Information Management Governance agreed to feed this back to the PSN Remediation Board for further consideration.

Members discussed the arrangements whereby employees and councillors who had left the council had their access rights removed.

Members' also indicated their wish to receive an update on progress on regaining PSN certification in September 2017.

**Information Access and Compliance** – where full assurance was provided that processes and procedures were in place to facilitate citizens' rights to request and had provided information under the Data Protection Act and the Freedom of Information Act.

Members noted the further additional work was required to meet the more stringent requirements of the new General Data Protection Regulations when they come into force in May 2018 and the outstanding actions agreed with the Information Commissioners Office in 2013 following concerns relating to the processing of personal data.

Members commented that the Council must strive to be as open as possible and not, as had been experienced from other public bodies in recent scrutiny inquiries, attempt to misuse the term Personal Data to what is generally regarded as public information.

A Member raised a concern relating to child protection issues and whether, out of normal working hours, duty officers would have access to the necessary information to help support vulnerable people at a time of crises.

The Head of Information Management Governance agreed to respond to the member concerned.

Members requested that the correspondence from the Cabinet Office in relation to the withdrawal of PSN Certification be circulated to Members of the committee.

Members also sought clarification as to what interim measures were undertaken on contracts where the requirements of the contract related to the control or processing of personal data.

The Head of Information Management Governance confirmed that letters were sent to all such contractors to remind them of their responsibilities under the Data Protection Act and that now all contracts of this nature include specific contract terms relating to these responsibilities.

**Records Management** – where reasonable assurance was provided that processes and procedures were in place to provide a framework to deliver data protection compliance.

Members commented that the retention periods for contracts, particularly in respect of financial information on PFI contracts, need to be as long as possible to help inform future contract negotiations and aid transparency.

Members noted the position with regard to the INSPIRE Standards and the steps being taken to publish more geo –spatial data sets.

**RESOLVED –**

- (i) To note and welcome the assurance provided at paragraph 10.2 of the submitted report that the information governance practice and procedures outlined in the report provided a level of assurance to the Committee
- (ii) That a further report be brought back to the Committee in September which will specifically address the issue of Cyber Assurance and Compliance

## 61 Annual Business Continuity Report

The Principal Officer Resilience and Emergencies presented a report of the Director of Resources and Housing detailing the Annual Business Continuity Report.

The report provided assurances to the committee that the business continuity arrangements were fit for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.

Members discussed the impact of reductions in funding in particular the health and social care sector and the impact that this was having on resilience across the council and third sector organisations.

The Principal Officer Resilience and Emergencies assured the committee that a new Adult Social Care and Health Resilience Group had been established to look at these types of issues

It was also reported that a government led initiative 'Resilience Direct' was being rolled out to enable shared data between the council and partner agencies to support a multi-agency response to incidents

Members also sought and received assurances that processes were in place to ensure risks identified from the Cabinet Office nationally were routinely considered and fed into relevant business continuity plan arrangements.

In response to Members questions the Principal Officer Resilience and Emergencies also commented:

- that where the review of a plan was still outstanding this does not, of itself, make the plan redundant;
- that a desk assessment exercise be undertaken for business continuity plans from Adult Social Care commissioned service providers in accordance with ISO22301.
- Minutes from the West Yorkshire Resilience Forum were available to only those with the appropriate security clearance;

**RESOLVED** – To note and welcome the assurance provided in paragraph 5.1 of the submitted report that the business continuity arrangements were fit for

purpose, up to date, were routinely complied with, had been effectively communicated and were monitored

## **62 Procurement Assurance Report**

The Executive Commercial Solicitor presented the Annual Assurance report of the Chief Officer Projects, Programmes and Procurement Unit in relation to procurement policies and practices.

The committee received assurance that these arrangements were compliant with legislation, were up to date, fit for purpose and effectively communicated with no procurement challenges being brought against the council in-year.

Members were also advised that off and non-contract spend had continued to reduce year and year.

In noting that the Scrutiny Board Resources were following up on previous scrutiny work on procurement - Members requested further specific details of:

- The value of off/non-contract spend and contracts that have been entered into via waivers;
- Contracts that had been renewed because they had reached the end of their contract life but for which a competitive tendering exercise had not yet been completed.

A Member raised a concern in respect of whether end of contract reports routinely assessed whether goods provided had been fit for purpose and provided value for money. A specific issue raised related to the deployment of tactile paving and whether any shortcomings of the material in wet weather had been picked up as part of contract monitoring or end of contract reporting arrangements.

The Executive Commercial Solicitor agreed to look at the specific issues raised and report back to the Member concerned.

**RESOLVED** – To note and welcome the assurance provided in paragraph 5.1 of the submitted report that the procurement policies and practices were compliant with legislation, up to date, fit for purpose, and effectively communicated; and that off and non-contract spend continued to reduce year on year.

## **63 KPMG Audit Plan 2016/17**

The Principal Financial Manager submitted a report of the Chief Officer (Financial Services) presenting KPMGs full audit plan for 2016/17, detailing their audit approach, the timing of the audit work and highlighting any significant risks identified to date.

Tim Cutler, a Partner at KPMG attended committee to present the detail of the plan and answer questions from Members.

Mr Cutler highlighted the following from the plan:

- That materiality for planning purposes has been set at £18 million and that uncorrected omissions or misstatements would be reported to committee at £0.6 million;
- That two significant risks had been identified which would require audit attention – these being:
  - Changes in pension liabilities arising from the LGPS Triennial Valuation
  - Valuation of Property Plant and Equipment
- The Value for Money Judgement which would be reported on in respect of:
  - Informed decision making;
  - Working in partnership, and;
  - Sustainable Resource deployment – in respect of which more detailed assessment, was considered necessary due to the worsening financial position and challenges facing the whole local government sector.

Members queried the level at which misstatements would be informed to the committee.

Mr Cutler confirmed that £18m was the level at which the accounts would be qualified (as they would not represent a true and fair view) if adjustments were not made, and £600k was the level at which a request for an adjustment would be made by KPMG to the council and at which those details were drawn to the committee's attention.

The Principal Finance Manager informed the committee of the council's approach to materiality in making adjustments to the final accounts. Where it was agreed with KPMG that there was an error, any amounts over £1m would always be adjusted for by the council. Any error identified in the accounts between £250k and £1m would be considered for adjustment, depending on the significance of its impact on the financial statements.

Clarification and assurance was sought on how the audit would consider the minimum revenue provision and whether the council's approach remained prudent.

Mr Cutler confirmed that KPMG had reviewed the changes to the council's minimum revenue provision policy for 2017/18 and were satisfied that the new policy met the statutory requirements for setting aside a prudent provision.

A Member raised a query as to the level of staffing which it would be prudent for the Council to operate with – as this was an operational matter for the Council Mr Cutler was unable to provide a response as it was beyond the remit of KPMG and their Value for Money Audit judgement.

**RESOLVED –**

- (i) That the contents of the report be noted
- (ii) To approve the nature and scope of the audit plan as presented by KPMG

**64 Internal Audit Update Report January to March 2017**

The Acting Head of Internal Audit presented an update on Internal Audit Activities during the period since the last meeting of the committee.

It was reported that the audit work had found no issues requiring the direct intervention of the committee with many audit reviews receiving good or substantial assurance opinion. Four reports containing limited assurance had been reported, two of which were linked. All had action plans in place with recommendations agreed by management being either implemented or underway.

Members' attention was drawn to a school where concerns relating to Fraud have been identified. It was not possible to share any further information as do so would prejudice on-going Police investigations; an undertaking was given to update the committee as soon as it was appropriate to do so.

A Member of the committee also queried progress on the outstanding Whistleblowing referrals.

The Acting Head of Internal Audit confirmed that the outcome of whistleblowing investigations would be incorporated within the Annual Report.

**RESOLVED –**

- (i) To receive the Internal Audit Update report covering the period January to March 2017, noting the work undertaken by Internal Audit during this period
- (ii) To note there had been no limitations in scope and nothing had arisen to compromise the independence of Internal Audit during the reporting period

**65 Internal Audit Plan 2017-18**

The Acting Head of Internal Audit presented for Members approval the Internal Audit Plan for 2017-18.

Members were informed that the plan had been prepared following a risk based methodology taking account of a range of issues including the Best Council Plan Priorities, other previous audit work and the council's risk register. The plan was structured to enable the Head of Audit opinion to be

provided on the Council's governance, risk management and internal control arrangements at the end of the Plan period.

Members queried whether KPMG had been consulted on the plan.

The Acting Head of Internal Audit confirmed that KPMG were aware of the content of the plan.

A further query was raised as to whether any coverage had been included in the plan covering Members' responsibilities for input to Ward Based Initiative or MICE money.

The Committee asked that this be incorporated into the Audit Plan for 2017-18.

**RESOLVED** - That, subject to the addition of audit work specified, to approve the proposed Internal Audit Plan for 2017-18.

## **66 Internal Audit Charter**

The Acting Head of Internal Audit presented for Members approval amendments to the Internal Audit Charter.

Committee noted that the Public Sector Internal Audit Standards (PSIAS) require that the purpose, authority and responsibility of the internal audit activity was formally documented in an Internal Audit Charter.

Members noted that amendments to the charter were recommended following the external assessment of Internal Audit by Nottingham City Council.

**RESOLVED** – To approve the amendments to the Internal Audit Charter.

## **67 Annual Assurance Report on the Financial Management and Control Arrangements**

The Chief Officer (Financial Services) as the newly appointed Section 151 Officer presented an Annual Assurance Report on the financial management and control arrangements. Supporting the presentation of the report for the last time was the Head of Corporate Finance, Mr Neil Warren, who was leaving the Council to take on the role of Chief Finance Officer at Wakefield MDC.

The Committee thanked Mr Warren for his contributions in supporting the work of the committee and wished him well in his new role.

The committee noted the assurances provided that the Council had in place effective and robust arrangements for financial planning, financial control and other financial management activities and that those arrangements were in place, were fit for purpose, up to date and embedded across the organisation.

Assurance was provided by the Chief Officer (Financial Services) that recommendations arising from the Business Rates Working Group would be implemented.

Members sought clarification on the National Funding Formula for Schools and when that will be implemented for Leeds' Schools.

The Chief Officer (Audit and Investment) assured Members that detailed work is being progressed to ensure that Schools and Elected Members are able to understand the implications of the Leeds funding formula from 2018/19 financial year onwards.

Members were advised that the Executive Member (Children and Families) had asked that a member seminar was in the process of being arranged on this matter.

**RESOLVED** – To note the assurance provided that the appropriate systems and processes were in place to ensure sound financial management and control across the Council

## **68 Approval of Corporate Governance Code and Framework**

The Head of Governance and Scrutiny Support presented a report of the City Solicitor detailing changes to the proper practice requirements contained in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 Edition.

Members were informed that the 2016 Framework recognised that local government continued to develop and shape its own approach to governance, taking account of the specific environment within which individual local authorities operate.

Members were also advised that the focus of the 2016 Framework differed from previous proper practice in that now;

- There was a defined emphasis on achieving outcomes while acting in the public interest at all times and;
- The attainment of sustainable economic, societal and environmental outcomes had been identified as a key focus of governance processes and structures.

Appendix 2 of the submitted report presented the newly drafted document – Leeds City Council Corporate Governance Code and Framework which;

- Reflects and demonstrates those commitments;
- Reflects the governance arrangements operating within Leeds City Council and how they contribute to the principles contained in the 2016 Framework;
- Simplifies the presentation of Council's governance arrangements and code in one document and aid understanding.

**RESOLVED –**

- (i) To note the requirements of the 2016 Framework
- (ii) To approve the Corporate Governance Code and Framework as set out in Appendix 2 of the submitted report

**69 Work Programme**

The Head of Governance and Scrutiny Support presented a report of the City Solicitor setting out the draft work programme and provisional dates for the committee for the new Municipal Year.

**RESOLVED –**

- (i) To note the contents of the report
- (ii) To provisionally approve the meeting dates for the Committee in the 2017/18 Municipal year as detailed within Appendix 1 of the submitted report

**70 Date and Time of Next Meeting**

**RESOLVED –** To note that the next meeting will take place on Friday, 23<sup>rd</sup> June 2017 at 2.00pm in the Civic Hall, Leeds (To be confirmed).