

## **Corporate Governance and Audit Committee**

**Friday, 22nd March, 2019**

**PRESENT:** Councillor K Ritchie in the Chair  
Councillors J Bentley, P Harrand,  
J Illingworth, P Grahame, M Harrison and  
A Scopes

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

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

### **65 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.

### **66 Late Items**

The Chair accepted the inclusion of a Late Item onto the agenda "Brexit – Resilience and Response". This additional report was not available at the time of agenda publication/circulation and it was considered to be in the best interests of the Council and other parties concerned that the matter be considered without delay (Minute No. 71 referred)

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

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

### **68 Apologies for Absence**

Apologies for absence were received from Councillors: B Garner, J Taylor and P Truswell

### **69 Minutes of the Previous Meeting**

**RESOLVED** – That the minutes of the previous meeting held on 28<sup>th</sup> January 2019 were accepted as a true and correct record.

### **70 Matters Arising from the Minutes**

The Head of Governance and Scrutiny Support reported that information requested by the Committee had been circulated to Members following the meeting in January 2019:

- Minute No. 53 – Differential call answering times for benefits calls when compared to other service areas – Members were informed that Scrutiny Board (Environment, Housing and Communities) was due to consider this matter again at their meeting in June (as part of their Performance Management Item).
- Minute 58 Resolution (iii) – It was confirmed that the Chair had written to the Executive Member and Scrutiny Board Chair responsible on the 4<sup>th</sup> March 2019 highlighting the weaknesses identified as a result of the Licensing of HMO IA report.

## **71 Brexit - Resilience and Response**

The Chief Officer (Strategy and Improvement) submitted a report which provided an update on the preparations that Leeds City Council, working with partners, had been making to prepare for the UK's exit from the European Union legally scheduled to take place on 29 March 2019.

Members were informed that a strategic response plan had been put together to provide a framework to deal with the uncertainty in the build up to and the response phase after the UK's exit. The plan was structured around five key themes which had been identified following extensive engagement both internally within the council and across the wider city, much of which had been done as part of our business as usual engagement activity. The key themes were: infrastructure and supplies, business and economic impact, community, media and communications, and organisational impact.

Members queried the extent of the working relationship between the Government and the City Council on issues such as the supply of fuel and medicines.

Members were informed that good working relationships with Government Departments had been established through the use of Local Resilience Forums who were working with multi – agencies. It was also suggested that local government provide a key role in communicating with partners and businesses.

Concern was expressed about the supply of freight and the implications on the supply chain.

Officers reported that the situation remained unclear, there were many unanswered questions and the impact on the supply chain was not known.

The Chair queried if there would be any implications for Leeds / Bradford Airport

In responding the Chief Officer, Strategy and Improvement said only 3% of the business at LBA accounted for freight, other airports across the country had far higher rates. In respect of passenger numbers and potential delays in

travelling, the peak period would be over the summer months and planning for this period had already taking place.

Members requested if further details on the implication for Leeds/ Bradford Airport as a result of the UK exiting the European Union could be prepared and circulated to Members of the Committee.

Members were assured the requested information would be provided.

A query was raised over possible implications for EU Funding, the Chief Officer Financial Services said the European Union would continue to honour schemes up to the 31<sup>st</sup> March 2019.

The Chair sought further details about Workforce Planning

Members were informed that the status of EU Nationals was unclear, many had chosen to leave the country due to uncertainty. It was reported that there were not significant numbers employed within the health or social care sectors in Leeds compared to other areas. It was also noted that an EU Citizens Settlement Scheme is being implemented.

The Chair thanked the Chief Officer (Strategy and Improvement) for her attendance and her insight on the preparations for Brexit.

#### **RESOLVED –**

- (i) That the contents of the report by noted
- (ii) That further details on the implication for Leeds/ Bradford Airport as a result of the UK exiting the European Union be prepared and circulated to Members of the Committee.

## **72 Annual Business Continuity Report**

The Director of Resources and Housing submitted a report which presented the Annual Business Continuity Report. The report sought to provide assurance of the adequacy of the business continuity management arrangements currently in place.

Members noted there were currently 79 Business Continuity Plan owned and maintained by services and functions across the 5 LCC directorates

The Chair queried what strategic lessons had been learnt about the vulnerabilities of significant infrastructure from past events.

In responding the Principal Officer Resilience and Emergencies said a lot of lessons had been learnt following storm Eva and the subsequent flooding which had identified a number of vulnerabilities. It was suggested that lessons continued to be learnt on each occasion there was a national incident.

It was noted that O2 was a major supplier of mobile telephony services to the Council. Members queried what impact was there and lessons learned from the O2 outage in December 2018.

Members were informed that disruption to some services was considerable, however, a study undertaken afterwards concluded it was the right decision to have a single provider.

**RESOLVED** – To note and welcome the assurance provided in paragraph 10.1 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

### **73 Annual Information Governance Report**

The Director of Resources and Housing submitted a report which presented the Annual Information Governance Report. The report sets out the steps being taken to improve Leeds City Council's information governance in order to provide assurance for the annual governance statement.

Members were informed that considerable progress had been made this year to resolve security issues. The Council regained its PSN certificate in June 2018. Work was currently on-going to ensure compliance, working towards re-submission for 2019 certification

It was noted that the Council continued to handle and process requests for information compliant with appropriate legislation such as the General Data Protection Regulation / Data Protection Act and Freedom of Information Act. A central requests team was now in place responsible for handling all requests for information.

Members noted that the Freedom of Information response times fell below the Council's Key Performance Indicator (KPI) of 96% in the third quarter of 2018-2019. The Council's KPI was higher than the regulatory requirement of 90%, therefore no enforcement action would be taken against the Council.

Reference was made to Security Incident Management, paragraph 3.3.4 of the submitted report. Members queried the timescale if a breach was considered to be not a risk.

Members were informed that an immediate response was provided on each occasion the team were made aware of an incident.

Referring to Freedom of Information requests, one Member said he found it frustrating that he had to resort to making requests under Freedom of Information provisions. The Head of Governance and Scrutiny Support clarified that Members should not need to make requests under these provisions as Members had a specific need to know within the Access to Information Procedure Rules.

The Chair undertook to raise the concerns by way of correspondence with the Director of Resources and Housing.

The Head of Information Management & Governance, added that all directorates were encouraged to publish more public information in an attempt to reduce the number of FOI requests.

Referring to records management, Members noted that within the HR Department alone there were over 200 boxes, containing 12,500 personal files.

Members were informed that HR records had different retention periods but in the main they were retained for 6 years after the pension period and could only be accessed by the Business Support Unit and the appropriate Line Manager.

Members requested if they could be provided with a breakdown as to how long in personal files were retained.

The Head of Information Management & Governance confirmed the requested information would be circulated to all Members of the Committee.

Members referred to the Caldicott Guardian Role (Paragraph 3.1.3 of the submitted report) and sought further assurances about how the role had been carried out during the year; (including commentary on any incidents that had needed to be escalated and how these have been dealt with).

It was requested that the Director Adults and Health prepares a report for the next meeting of this Committee which addresses the points raised above.

Members requested if further details could be provided on the communication and dissemination of the Mandatory E-Learning training referred to in Paragraph 3.3.9 and Paragraph 3.3.8 including how the uptake of training would be monitored and reported.

The Head of Information Management & Governance said the training was released via the PAL system on 4<sup>th</sup> February 2019, however, to date Members had not received the necessary information to logon to the system.

It was suggested that the Head of Information Management & Governance in consultation with the Head of Civic and Member Support supply to Members the necessary information to allow access to the PAL system

## **RESOLVED**

- (i) That the contents of the report by noted.

- (ii) To note the assurances provided as to the Council's overall approach to information governance.
- (iii) That the Chair, on behalf of the Committee writes to the Director of Resources and Housing to raise the concerns about the receipt of Freedom of Information requests from Members
- (iv) That the Head of Information Management and Governance provide Members with the retention schedule for employee records
- (v) That the Director Adults and Health be requested to prepare a report for the next meeting of this Committee on the Caldicott Guardian Role and assurance as to how the arrangements are operating
- (vi) That all Members be provided with the necessary information to allow access to the PAL system in order to undertake the Mandatory E-Learning training

#### **74 Applications Portfolio Programme - Update on Access Project**

The Director of Resources and Housing submitted a report which provided an update on the current position on Access databases and compliance to PSN.

Members were informed that the report followed on from an initial request from this committee in July 2018 for further details and reassurances regarding the progress in dealing with legacy Access 2003 databases and subsequent reports to Committee in November 2018 and January 2019.

Members were informed that the project team are currently working with service areas to identify solutions that will replace 83 databases. The project team had engaged with all service areas to identify where new solutions are already in the pipeline to replace Access databases and are focussing on those that haven't, whilst still keeping a view of those that are due to be replaced; in case their timescales slip. So far, the project had confirmed that 19 databases could be deleted once they were delivered by another programme/project.

Referring to paragraph 3.4.1 of the submitted report Members queried how other authorities had approached access issues and how did Leeds compare.

Members were informed that no engagement had taken place with other authorities because the scale of usage was not the same as it was with Leeds.

It was the wish of Members that the requested information be gathered and reported back to Committee

Members sought further details about the engagement with the Cabinet Office and their views on the Council's remediation programme.

Members were advised that a meeting had recently taken place, the meeting was very positive and representatives from the Cabinet Office appeared to be satisfied with the plan in place. A written response was currently awaited.

Members questioned if there were any further core systems or other applications that may be vulnerable re PSN requirements

It was reported that there remained a number of systems/ applications which required further investigation. Officers were relatively confident these issues would be addressed on an individual basis.

#### **RESOLVED –**

- (i) That the contents of the report be noted
- (ii) To note the assurances provided around the Council's approach to maintaining PSN compliance and where progress had been made
- (iii) That regular updates on progress continue to be brought to future meetings of this Committee, the next update report to include comparisons with other Local Authorities about PSN compliance and a summary of the engagement with the Cabinet Office

#### **75 Procurement Assurance Report - 2018/19**

The Chief Officer Financial Services submitted a report which presents the Annual Procurement Assurance Report 2018/19 for the City Council's Procurement function.

The Chief Officer provided assurance that, overall, procurement systems were operating effectively and that there were no fundamental weaknesses.

Members were concerned to learn that compliance remains an issue in some areas, notably around justification in reports for waivers. Members noted that process changes and amendments to Contract Procedure Rules are anticipated to support improvements in this respect

New Procurement Strategy was being presented to Executive Board on 17<sup>th</sup> April 2019 with a recommendation for its adoption. The launch of the New Procurement Strategy would be accompanied by a refresh of the Council's procurement documentation and the Contract Procedure Rules (CPRs).

It was noted that Social Value from procurement was a key element of the Council's wider aspirations for inclusive growth in conjunction with local communities and businesses.

Members were informed that Social Value outcomes were monitored around some key areas of activity, beneficial outcomes included: expenditure with local suppliers, the commissioning of projects on the learning programme through either the YORbuild framework or existing Leeds Local Education Partnership (LLEP) arrangements. It was also noted that prompt payments provided discounts

Members asked if contract terms and conditions exist which aim to ensure adherence to the Council's ethical framework

Members were informed that the Council was committed to the Unison Ethical Care Charter and had been working towards compliance with its principles in relation to externally commissioned home care services.

Members questioned what learning and improved cross team working had taken place as a result of recent high profile company collapses e.g. Carillion.

Members were informed that a draft Briefing Note had been prepared for inclusion in the new Procurement Strategy and new contracts would include robust milestone payments.

#### **RESOLVED –**

- (i) To note the assurances provided in this report
- (ii) To note and support the introduction of the draft New Procurement Strategy.

#### **76 Annual Assurance Report on the Financial Management and Control Arrangements and Compliance with the Chief Finance Officer Protocol**

The Chief Officer Financial Services submitted a report which sought to provide assurance that the Council had in place appropriate systems and procedures to ensure that there were sound financial management and control across the Authority.

Members were informed that the Council has established an effective financial control environment and specifically robust arrangements for strategic financial planning combined with effective financial management and control.

It was also noted that the Council had a sound framework for reviewing and challenging financial performance, and had realistic plans in place to make the necessary savings in the 2019/2020 financial year, and was taking the appropriate steps to deliver them. Directorates had contingency plans in place to help to manage unforeseen variations against the budget.

Members noted the financial management and control framework was subject to a number of independent assessments, including the Council's Internal Audit function which had reviewed and given substantial assurance that there

were robust controls in place to support the central co-ordination of the setting and monitoring of the Council's budget.

It was reported that the financial management and control framework was continually being assessed and reviewed to ensure that it remained fit for purpose. This would continue and any issues and developments would be reported back to this Committee.

The Chair queried who had responsibility for any pooled financial arrangements that the Council had with Health organisations.

In responding the Chief Officer Financial Services said the City Council had a number of pooled financial arrangements, the responsibility for who had control would be set out in the appropriate organisations financial arrangements.

**RESOLVED** – To note the assurances provided that the appropriate systems and procedures are in place to ensure that the Council delivers sound financial management and planning.

## **77 Annual Treasury Management Governance Report**

The Chief Officer Financial Services submitted a report which presents the Annual Treasury Management Governance Report and outlines the governance framework for the management of the Council's Treasury Management function.

The report also reviews compliance with updated CIPFA guidance notes for practitioners on the Prudential Code for Capital Finance in Local Authorities issued in 2018.

Reference was made to the Commercial Property Investment Strategy with Members querying if social value could be applied to investments as it was to be with procurement

In responding the Chief Officer Financial Services said that commercial property investment could only be carried out in accordance with the approved strategy, the strategy could be adapted / changed if that was the view of the Council.

**RESOLVED -**

- (i) To note that Treasury Management continues to adhere to its governance framework including the CIPFA Code of Practice, the Prudential Codes 2011 and revised CIPFA guidance notes issued in 2013. All borrowing and investments undertaken had been compliant with the governance framework.

- (ii) To note that Treasury Management had ensured that it fully complied with the updated CIPFA Code of Practice 2017 and the MHCLG investment and MRP Guidance for the financial year 2018/19 onwards.
- (iii) That the Head of Governance and Scrutiny Support informs the Director of City Development of Members views in respect of social value in investments

## **78 Grant Thornton Audit Progress Report**

The Chair welcomed Perminder Sethi and Gareth Mills (Representing Grant Thornton)

The Chief Finance Officer submitted a report which set out details of Grant Thornton's progress in delivering the audit of the Council's accounts and value for money arrangements.

Members were informed that the audit had two key objectives, to give an opinion on the council's financial statements (including confirming whether the annual governance statement was consistent with their understanding), and to review and report on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

It was reported that Grant Thornton had carried out interim audit work during February, and were due to undertake further work in late March. The report now presented represents an update on the work which they have carried out so far, outlining the areas covered and the conclusions reached.

The report also identified some current issues in the field of local authority audit and governance which may be of interest to the committee.

Members queried as to when the results of the Interim Audit work would be reported to Committee. In responding Members were informed that an Interim Audit Position would be subject of a report to the next meeting in June.

### **RESOLVED –**

- (i) To receive and note the audit progress report presented by Grant Thornton
- (ii) To note that an Interim Audit Position would be subject of a report to the next meeting in June.

## **79 Internal Audit Plan 2019-20**

The Chief Finance Officer submitted a report which presents the proposed Internal Audit Plan for 2019 - 20 for review and approval.

The report also included a summary of the basis for the plan which had been developed in consultation with senior management.

Members queried if sufficient resources were available to the Head of Internal Audit to complete the Internal Audit Plan for next year.

The Head of Internal Audit said that by using modern audit techniques to deliver audit coverage as efficiently and effectively as possible, it was her opinion that there would be sufficient resources available to enable the issuing of an evidenced based opinion and report.

Members queried if appropriate measures were in place to support staff if the need arose.

The Head of Internal Audit confirmed that adequate time had been built into the plan to support staff, sickness levels were low and the Team were motivated.

**RESOLVED** – That the Internal Audit Plan for 2019 - 20 be approved

## **80 Internal Audit Update Report January to February 2019**

The Chief Finance Officer submitted a report which provided a summary of the Internal Audit activity for the period January to February 2019 and to highlight any significant failings or weaknesses.

Commenting on the audit of Waivers of Contract Procedure Rules (CPRs) it was noted that not all expenditure was being incurred in accordance with the terms set out in the waiver decision.

Members queried if further monitoring would be undertaken.

In responding the Head of Internal Audit said a follow up on progress within the waivers audit had been incorporated within the 2019/20 audit plan.

**RESOLVED** –

- (i) To receive the Internal Audit Update Report covering the period from January to February 2019 and note the work undertaken by Internal Audit during the period covered by the report.
- (ii) To note that there have been no limitations in scope and nothing has arisen to compromise the independence of Internal Audit during the reporting period.

- (iii) To note the information provided by the Head of Service (Legal) about the recent use of the Council's surveillance powers under RIPA

## **81 Annual Report 2018/19**

Members were supportive of the preparation of an Annual Report of the Committee and requested the Head of Governance and Scrutiny Support to prepare a draft Annual Report reflecting the work of the Committee in the 2018/19 Municipal year for Members consideration.

### **RESOLVED –**

- (i) That the draft Annual Report for 2018/19 be approved
- (ii) That the report be referred to Full Council for consideration.

## **82 Independent Member Appointment to Audit Committees**

Further to Minute No. 61 of the meeting held in January, the Head of Governance and Scrutiny Support presented a report with further details of guidance from CIPFA on the appointment of Independent Members and details of arrangements in core cities and other Yorkshire authorities.

In the discussion that followed the Committee recognised the wide range of skills already evident on the Committee and the Independent minded approach Members bring to the business considered. On the basis of this the Committee would not unilaterally be seeking to supplement committee membership with an independent member. However, the committee noted the Best Practice requirements set out by CIPFA and the legal requirements in order public sector bodies, particularly the audit arrangements for combined Authorities that require that an Independent Member be appointed.

The committee noted the views of the Leader of Council, Deputy Leader and the Leader of the Opposition and the intention for this matter to be considered by the General Purposes Committee.

Should any Independent Member appointments be subsequently supported, Members asked that the recruitment process be Member led with cross party involvement in any search and selection exercise, including representation from the Audit Committee membership. The Committee asked that the observations made be reported to the General Purposes Committee as part of that Committee's consideration of the question of independent membership of the Corporate Governance and Audit Committee.

### **RESOLVED –**

- (i) To note the additional background information provided

- (ii) That the views/ observations of Members, as referred to above, be incorporated into the report to be considered by the General Purposes Committee for consideration

### **83 Work Programme 2019**

The Head of Governance and Scrutiny Support presented a report of the City Solicitor which set out the ongoing Work Programme for 2019.

Following discussion at today's meeting it was agreed that the following items be added to the Work Programme:

- Interim Audit Position from Grant Thornton (June 2019)
- The Caldicott Guardian Role and Assurance as to how the arrangements are operating (June 2019)

**RESOLVED** – That, with the inclusion of the above, approval be given to the draft work programme as set out in the Appendix of the submitted report and indicative meeting dates for 2019/20

### **84 Date and Time of Next Meeting**

**RESOLVED** – To note that the next meeting will take place on Tuesday, 25<sup>th</sup> June 2019 at 10.00am in the Civic Hall, Leeds.

### **85 Retirement of Doug Meeson - Chief Officer Financial Services**

The Chair reported that Doug Meeson, Chief Officer – Financial Services and the City Council's Section 151 officer was retiring from the Council after a long and distinguished career.

Members joined the Chair in expressing their thanks, appreciation and best wishes to Doug on his forthcoming retirement.