

Corporate Governance and Audit Committee

Friday, 22nd September, 2017

PRESENT: Councillor P Davey in the Chair
Councillors J Bentley, K Bruce, N Dawson,
J Illingworth, J Heselwood, B Flynn and
B Anderson

18 Appeals Against Refusal of Inspection of Documents

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

19 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.

20 Late Items

There were no late item of business.

21 Declaration of Disclosable Pecuniary and Other Interests'

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

22 Apologies for Absence

Apologies for absence were received from: Councillors: P Harrand, G Hussain, A Sobel and R Wood.

Councillors: B Anderson and Flynn were in attendance as substitutes

23 Minutes of the Previous Meeting

RESOLVED – That the minutes of the previous meeting held on 20th June 2017 were accepted as a true and correct record.

24 Matters Arising from the Minutes

At the previous meeting additional information was requested by the Committee. The Head of Governance and Scrutiny Support reported that the requested information had since been circulated:

- (i) Minute Nos. 8 and 13 value of off/non contract spend and contracts entered into by way of waiver this was circulated on the 21st July;
- (ii) Minute No. 9 clarification in respect of Key Performance Information this was circulated on the 30th June;
- (iii) Minute No. 10 additional data on matters covered in the HR Annual Report was sent to Members on the 21st July;
- (iv) Minute No. 11 concerning management of risk, further information requested by the committee in respect of Cyber security is contained in the report to Members at Item 9.

25 Internal Audit Update Report June to August 2017

Prior to the start of this item the Chair announced that the Internal Audit Team had recently won a prestigious National Award. The Chair invited the Acting Head of Internal Audit to provide further details about the award.

Sonya McDonald, Acting Head of Internal Audit reported that Leeds City Council's, Internal Audit Team had been nominated and shortlisted for the Government Counter Fraud Awards. The ceremony was held in London on 21st September 2017. The Leeds Team beat competition from Her Majesty Revenues and Customs (HMRC) and the Home Office to receive the top award for outstanding proactive detection work in the Government Counter Fraud Awards. The award was in recognition of the Leeds Grand Theatre fraud investigation.

The Chair requested that the congratulations of the Committee be passed on to all Members of the Team.

The Chair welcomed and introduced Councillor James Lewis, Deputy Leader and Executive Member for Resources and Strategy, Neil Evans Director of Resources and Housing and Bev Fisher (Deputy Chief Digital & Information officer) who were in attendance to contribute on the recently concluded investigation into use of resources following the sentencing of former Leeds Councillor and Lord Mayor, Neil Taggart. (Appendix No.1 of the submitted report referred).

Addressing the report the Director of Resources and Housing reported that the Internal Audit Section had undertaken a thorough investigation into the use of council resources by Neil Taggart. He said that although no evidence had been found there was an opportunity to review council systems with a view to strengthening and monitoring. Procedure around Disclosure and Barring Service (DBS checks) should also be strengthened.

Referring to section 3 of the submitted report the Acting Head of Internal Audit said the investigation found no evidence that council equipment was used for the offences committed by Neil Taggart. However, the council did provide an

internet connection to his home for a period of at least eight years, during which time the offences were reported to have taken place. In the absence of any evidence to confirm which internet connection was used to obtain the images in question, there remained a possibility that the council-provided internet connection may have been used for this purpose. Whilst filtering controls were in place during this period, it was not possible for 100% of websites with inappropriate content to be blocked.

In offering comment Councillor Lewis said the investigation undertaken by internal audit was the right thing to do. The investigation has highlighted a potential control weakness in undertaking DBS checks for Members and this was an area where further strengthening was required.

On the issue of DBS checks, one Member queried if all Council Members had been DBS checked.

In responding Councillor Lewis said that it was his understanding that of the 99 Council Members; 70 had a current DBS check, 19 had checks which were in excess of 4 years old and no records could be located for 10 Members.

In the discussion that followed it was the view of the Committee that all Members be reminded of the necessity to have in place a current DBS check and that failure to comply with this requirement should be the subject of consideration and sanction by the appropriate political Group Office.

The Chair also suggested that the issue of DBS checks be referred to the Member Management Committee for further analysis. The Committee supported this and asked that specific consideration be given by Member Management Committee of whether a recommendation might be appropriate to group whips for a failure to complete a DBS check to be dealt with by political groups through their disciplinary arrangements with an ultimate sanction including removal of the group whip.

Members also queried if Neil Taggart had been on the Governing Body of any Leeds schools.

The Acting Head of Internal Audit confirmed that Neil Taggart had been a School Governor, but not an active one and had been disqualified for non-attendance.

A number of Members also highlighted the fact that Neil Taggart was at one time Chair of the Police Authority, as such he would have had access to sensitive information and would have being able gain entry to restricted areas.

Members queried if the Police were undertaking any similar investigation to that of the Council.

Officers reported that they had no knowledge of any such investigation taking place.

The Chair undertook to raise the matter with the West Yorkshire Police and Crime Commissioner.

Members were supportive of the suggested action.

Further information was sought on the monitoring arrangements of the Council's IT systems.

In responding the Deputy Chief Digital & Information officer said arrangements were already in place to monitor and filter internet usage when connected to the council network, where key words and phrases were used to identify and then block inappropriate sites. It was further reported that a framework of proactive monitoring measures to supplement the existing web filtering controls would be put in place, including proactive scanning of the council's digital storage including all council owned devices used by staff and Members.

In drawing the discussion to a conclusion, the Chair said one of the recommendations arising from the investigation was that the council implements the additional proactive monitoring controls for the purposes of identifying offences of this nature. Members were supportive of the recommendation.

The Chair referred Members attention to other issues contained in the update report.

The Acting Head of Internal Audit provided a summary of the Internal Audit activity for the period June to August 2017 and highlighted incidences of any significant control failings or weaknesses.

The report also provided information from the Head of Service (Legal) about the use of the Council's surveillance powers under RIPA, it was confirmed that there had been no such use in this period.

It was reported that there were no issues identified by Internal Audit in the June to August 2017 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

The Chair thanked Members and Officers for their contributions.

RESOLVED -

- (i) To receive the Internal Audit Update report covering the period June to August 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.

- (iii) To note the information in the report about the recent use of the Council's surveillance powers under RIPA and to note the information provided by the Head of Service (Legal) about the recent use of the Council's Surveillance powers under RIPA.
- (iv) That the Corporate Governance and Audit Committee recommends that all Members of Council be reminded of the necessity to have in place a current DBS check and that failure to comply with this requirement would be the subject of a sanction by the appropriate political Group Office.
- (v) That the issue of DBS checks be referred to the Member Management Committee for further analysis, with a request that specific consideration be given as to whether a recommendation might be appropriate to group whips for a failure to complete a DBS check to be dealt with by political groups through their disciplinary arrangements with an ultimate sanction including removal of the group whip.
- (vi) That the Chair write, on behalf of this Committee, to the West Yorkshire Police and Crime Commissioner in relation to the Internal Audit report into former Councillor Neil Taggart and the use of council resources.

26 Annual Information Governance Report - Update on Cyber Position

The Director of Resources and Housing submitted a report which provided an update on the current position with regard to cyber assurance and compliance, specifically compliance to the Public Service Network (PSN) Assurance standard.

The Head of Information Management & Governance spoke on the work streams created and actions taken to help enable the Council to meet (PSN) certification requirements.

Members were informed that all patching work was up to date, of the 641 identified themes requiring action, this number had been reduced to 52 and the figure was expected to be reduced to 6 by the end of September 2017.

Commenting on the WannaCry virus (Ransom software) which targeted NHS systems, the Head of Information Management & Governance reported that LCC systems were not affected by this virus.

It was noted that as a result of the work undertaken an application for PSN reinstatement would be submitted in October 2017.

Members welcomed the report and acknowledged the measures been undertaken to achieve PSN compliance.

RESOLVED –

- (i) That the contents of the report be noted.
- (ii) To acknowledge the efforts being undertaken to rectify the current situation with regard to the Council's approach to information governance and specifically PSN compliance.
- (iii) That a further report be brought back to this Committee in January 2018 providing further updates on PSN, Cyber Compliance and implementation of the General Data Protection Regulations (GDPR).

27 Approval of the Audited Statement of Accounts and KPMG Audit Report

The Chief Officer - Financial Services submitted a report which explained the requirement for the Corporate Governance and Audit Committee to approve the Council's final audited Statement of Accounts and to consider any material amendments identified by the Council or recommended by the auditors.

The Principal Financial Manager presented the report, Mr Richard Lee from KPMG was in attendance to respond to Members queries and questions.

Members were informed that the external audit report provided the following assurances to Members:

- An unqualified opinion on the 2016/17 Statement of Accounts (following consideration of an elector objection).
- A value for money conclusion that the council had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- Confirmation that in the auditor's opinion the Council's Annual Governance Statement was not misleading or inconsistent with other information they were aware of from their audit of the financial statements, and that it complied with CIPFA/SOLACE guidance.

Members made reference to paragraph 3.2.4 of the submitted report which referred to the council's liability under the Carbon Reduction Commitment, noting that a change in the scheme in 2014/15 had been overlooked, resulting in the liability being understated.

Members queried if there were any other similar returns which were not compliant.

Members were informed that at that time the checks did not identify the changes to the scheme.

Members were made aware that revised arrangements were in place to ensure sufficient checking was undertaken and that arrangements for other similar returns were being reviewed.

Reference was made to the increase in business rates appeals provision following a number of high value appeals recently being settled (Paragraph 3.2.2 of the submitted report referred).

It was suggested by one Member that recovery of full costs be pursued for any appeals settled in favour of the City Council.

Members were informed that the City Council had no involvement in the business rates appeal process and such work was the responsibility of the District Valuer.

Members noted:

- There were no high priority recommendations raised by KPMG.
- There was one objection to the accounts from an elector, which KPMG were reviewing.

RESOLVED -

- (i) To receive the report of the Council's external auditors on the 2016/17 accounts and to note that there were no unadjusted audit differences to the accounts.
- (ii) To approve the final audited 2016/17 Statement of Accounts and request the Chair to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities of the accounts.
- (iii) On the basis of the assurances received, the Chair be authorised to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
- (iv) To note KPMG's value for money (VFM) conclusion that the council had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- (v) To note that there was one objection to the accounts which was still under consideration by KPMG, and may result in a delay in the completion of the overall audit.

28 KPMG IT Audit Findings 2016/17

The Chief Officer - Financial Services submitted a report which presented the results of KPMG's audit work in 2016/17 in respect of IT controls.

The Principal Financial Manager presented the report, Mr Richard Lee from KPMG was in attendance to respond to Members queries and questions.

Members were informed that the overall conclusion was that IT controls were operating effectively, and were sufficient to allow audit to place reliance on them.

It was noted that KPMG's report made a number of recommendations in relation to user account administration and alignment to password policy. These had either already been addressed or would be addressed as part of the implementation of the Council's new password policy.

RESOLVED –

- (i) To receive KPMG's IT Audit Report.
- (ii) To note the conclusions and recommendations arising from their 2016/17 audit work.

29 Annual Governance Statement

The Head of Governance and Scrutiny Support submitted a report of the City Solicitor which presented the Annual Governance Statement (AGS) to the committee for approval.

The Head of Governance and Scrutiny Support said that following consideration of the Annual Governance Statement by this committee in June the revised draft AGS now incorporated the conclusion of KPMG at paragraph 3.82 and 3.83 of the submitted report.

It was reported that the AGS concluded that key systems were generally operating soundly and, where weaknesses had been identified, arrangements were in place to resolve them.

RESOLVED –

- (i) That the final draft Annual Governance Statement be approved.
- (ii) That the Chair be authorised to sign the statement on behalf of the committee.

30 Work Programme 2017/18

The Head of Governance and Scrutiny Support presented a report of the City Solicitor which set out the work programme for the 2017/18 year.

It was suggested that following the formal appointment of the new external auditors; Grant Thornton, a report setting out the transition arrangements be brought back to this Committee (Date to be determined)

RESOLVED –

- (i) That with the inclusion of the above, to agree the work programme for 2017/18.
- (ii) To note the meeting dates for the Committee in the 2017/18 year as detailed within Appendix 1 of the submitted report.

31 Date and Time of Next Meeting

RESOLVED – To note that the next meeting will take place on Friday, 19th January 2018 at 10.00am in the Civic Hall, Leeds.