

Corporate Governance and Audit Committee

Monday, 15th March, 2021

PRESENT: Councillor A Scopes in the Chair
Councillors J Bentley, P Harrand,
J Illingworth, P Grahame, M Harrison,
J Taylor and P Truswell
Linda Wild – Independent Member

83 Appeals Against Refusal of Inspection of Documents

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

84 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.

85 Late Items

There were no late items of business identified.

86 Declaration of Disclosable Pecuniary and Other Interests'

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

87 Apologies for Absence

Apologies for absence were received from Councillor B Garner.

88 Minutes of the Previous Meeting

The minutes of the previous meeting held on 8th February 2021 were submitted for comment/ approval.

RESOLVED - That the minutes of the previous meeting held on 8th February 2021 were accepted as a true and correct record.

89 Matters Arising

Internal Audit Update Report September to November 2020 (Minute No.61 referred) Flood Alleviation Scheme Stage 1 - Review into its operational readiness. The Chair asked if the requested information around the mechanism to review the technical aspects of the scheme had become available yet.

The Head of Audit informed Members said the requested information would be circulated to Members once it became available.

Annual Assurance Report on Arrangements In Relation To Customer Contact and Satisfaction (Minute No.75 referred). The Chair asked if the requested information about the distribution of calls by wait time and the percentage of complaints that were upheld by the Ombudsman, were available yet

The Principal Audit Manager reported that the requested information would be circulated to Members once it became available.

Members asked that Chief Officer Customer Access & Welfare, be invited back to Committee in June should the requested information be not forthcoming in the interim

Governance Arrangements for Devolution (Minute No. 76). The Principal Audit Manager reported that the feedback provided by this Committee at the last meeting had now been shared with partner authorities.

Annual Assurance Report on Planning Decision Making and Enforcement Arrangements (Minute No.35 referred). In providing an update, the Principal Audit Manager said following feedback from the Chair of this Committee, the draft protocol had been referred back to the Chief Planning Officer for further review.

The Principal Audit Manager undertook to ask the Chief Planning Officer to provide an update to committee.

In offering comment the Chair said the protocol had to be sufficiently robust to be effective.

90 Annual Information Governance Report, including the Annual Report of the Caldicott Guardian

The Director of Resources and Housing and the Director of Adults and Health submitted a report which presented the Annual Information Governance Report which sought to provide assurance on the arrangements in place associated with Information Governance.

Commenting on Data Access Requests Members queried if consideration had been given to the use of automated software to assist with Freedom of Information Requests (FOI's)

The Data Protection Officer reported that the Service was undertaking a review of the (FOI) process with a view to making the process more effective/ efficient.

Members were informed that sweeps across the LCC network with a single search engine were not technically possible yet.

Members were of the view that an efficient search engine would make a huge difference to productivity and a uniform process across the Council was important.

Members asked if there was a timeframe for “getting to where you want to be in terms of FOI request” and was there any type of financial penalty for delays in responding to FOI requests.

In responding the Data Protection Officer said the timescale for implementing the actions was six months, but some actions may be completed sooner. In respect of any financial penalties associated with FOI requests, it was reported that fines were not usually imposed if the statutory deadline were not met, and that the ICO had indicated that action would not be taken in respect of breach of timescales during the period of the pandemic

Referring to PSN Certification, Members queried if the project remained on track.

The Data Protection Officer reported that the 2020 PSN submission was deferred with Cabinet Office due to COVID-19 pressures. An action plan, documenting all the outstanding work to be completed and a firm submission date of July 2021, was submitted to the Cabinet Office on 31st December 2020. This action plan was signed off by the Chief Digital and Information Officer. The project remains on track for completion July 2021.

The Chair acknowledged and thanked Officers for the benchmarking exercise included within the report as part of the Caldicott Guardian monitoring process.

The Data Protection Officer thanked the Committee for requesting this benchmarking exercise which had provided valuable insight for the service.

RESOLVED –

- (i) That the contents of the report be noted
- (ii) To accept the assurances provided by the Data Protection Officer as to the Council’s approach to information management and governance

91 Annual Treasury Management Governance Report

The Chief Officer Financial Services submitted a report which presented the Annual Treasury Management Governance Report which outlined the governance framework for the management of the Council’s Treasury Management function.

Addressing the report the Chief Officer Financial Services officer explained that the Annual Report provided assurance to Members that the Treasury Management (TM) function was operating within its governance framework and fully complied with the current CIPFA Code of Practice, the Prudential Code and the revised guidance notes for practitioners issued in 2017.

Members were informed that since the last update all borrowings and investments undertaken had been in accordance with the approved governance framework. Treasury Management continued to operate within the governance framework and also used additional market intelligence and information gathered from a variety of sources which were integral to protecting the authority from undue risk in the financial and money markets.

Members noted that Internal Audit had provided substantial assurance on the control environment and compliance in their 2019/20 audit report.

One Member reported that in a few weeks-time the combined authority would take over the management of the Police Budget, so would LCC Finance be responsible for monitoring the treasury management affairs of the Police Authority.

Members were informed that the Treasury Management Team were in discussion with WYCA to understand the implications and requirements of the Treasury Management Function going forward once the Police and Crime Commission combines with WYCA. At the moment current arrangements would continue.

Referring to Paragraph 3.9 of the submitted report, Members asked if there was any further information in respect of the LOBO loans with Barclays Bank and the decision of the High Court to have the claim by Leeds City Council together with 7 other local authorities struck out

Head of Service, Resources & Housing, reported that the Council along with the seven other Councils who made the claim were considering the position both internally and with the Councils solicitors to determine their options in light of the judgement. The Chair would be advised of the outcome of these deliberations in due course.

RESOLVED –

- (i) To note that Treasury Management continues to adhere to its governance framework including the CIPFA Code of Practice, the Prudential Codes 2017 and revised CIPFA guidance notes issued in 2018.
- (ii) To accept the assurances provided by the Chief Officer Financial Services that all borrowing and investments undertaken had been compliant with the governance framework.

92 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 effective and robust arrangements for financial planning, financial control and other financial management activities which were fit for purpose, up to date and embedded across the organisation.

The report also sets out the current arrangements for complying with the requirements of the Chief Finance Officer's protocol that were set out in Section 5k of Council's constitution.

Members referred to the role of the Chief Officer Financial Services, paragraph 3.1.6 of the submitted report and queried if the communication/ meetings as referred to were undertaken on a regular basis.

The Chief Officer Financial Services confirmed that communication/ meetings with Members and senior officers was carried out on a regular basis and that no issues had been discussed which needed to be brought to the attention of the committee.

Members sought further details about the Fair Funding Formula, paragraph 3.6.3 of the submitted report and queried if any information had been received which suggested how the formula may impact on the authority.

The Deputy Chief Officer Financial Services said the introduction of the Fair Funding Formula had been delayed due to the Coronavirus Pandemic, no further information had been received within the last 18 months. Members were informed that should any further information be received it would be factored into the Medium Term Financial Strategy.

It was suggested by Members that it may be prudent to factor in potential risk.

In responding the Chief Officer Financial Services said that forecasting for a number of matters where there was a level of certainty in relation to impact on the authority's financial position such as business rates reductions and areas of employment and the economy were already undertaken. Other matters would be built in to the strategy as they come forward.

The Council's external auditors were invited to comment, and noted that these matters had been a key part of the value for money review. It was confirmed that the Council was not out of step with similar authorities in its approach. It was noted that the new audit approach would require more detail in relation to the Council's financial assumptions and estimates in future years. Further details would be given at the June meeting.

RESOLVED – To accept the assurances of the Chief Officer (Financial Services) that the appropriate systems and procedures are in place to ensure that there is sound financial management and control across the Authority, in accordance with the arrangements set out in the Chief Finance Officer protocol, as set out in Section 5k of the Council's constitution

93 Internal Audit Update Report December 2020 to January 2021

The Chief Officer Financial Services submitted a report which provided a summary of the Internal Audit activity for the period December to January 2021 and to highlight incidence of any significant control failings or weaknesses.

The Head of Audit explained that 12 audit reviews were finalised, no issues were identified that would necessitate direct intervention by this Committee, however, two audits had resulted in a limited or no assurance opinion:

Housing Leeds – Lettings
Primary School Follow Up 2

Referring to the Housing Leeds - Lettings process, paragraphs 3.7 and 3.8 of the submitted report and the identification of control weaknesses, Members asked if management were able to access the system to obtain relevant performance information during the period in which reports were unavailable through the system. Members also asked if a lessons learned exercise had been carried out following the implementation of the new system.

The Head of Audit advised that further information would be shared with the Committee, and Members asked if the issue could be drawn to the attention of the Chair, Scrutiny Board, Environment, Housing and Communities.

The Head of Audit confirmed the requested information would be referred to the appropriate Scrutiny Chair.

Members referred to the Fire Safety Management of Council Tenanted Properties, paragraph 3.12 of the submitted report noting that the recommendations had not been completed.

Members requested if they could be provided with for a copy of the outstanding recommendations

The Head of Audit confirmed that the requested information would be circulated to Members.

The Independent Member queried whether information was reported to the Committee in respect of Internal Audit performance on the completion of audits within timescale and budget, and progress against the Audit Plan.

The Head of Audit advised that a review of performance monitoring information is currently ongoing within the section.

The Chair also confirmed that the Committee receives regular information on the work completed by Internal Audit.

One Member raised the issue of “unintended consequences” and asked how would a policy, which was not working well be identified and how would it be corrected.

The Chair suggested that planned policies were required to comply with specific rules, there was also a role for Scrutiny Boards to investigate such issues.

The Head of Audit said some horizon scanning was undertaken and other local authorities were active in sharing potential problems.

RESOLVED –

- (i) To receive the Internal Audit Update Report covering the period from December to January 2021 noting the work undertaken by Internal Audit during the period covered by the report;
- (ii) 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.

94 Internal Audit Plan 2021-22

The Chief Officer Financial Services submitted a report presented the proposed Internal Audit Plan for 2021-22 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.

Addressing the report the Head of Audit explained that the Corporate Governance and Audit Committee had responsibility for reviewing the adequacy of the Council’s corporate Governance arrangements.

Members were informed that the Public Sector Internal Audit Standards (PSIAS) required the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The standards also refer to the need for a risk-based plan to take into account the requirement to produce an annual internal audit opinion which includes input from management and the Corporate Governance and Audit Committee. Standard 2020 requires that internal audit plans are communicated to senior management and the Committee for review and approval.

It was reported that the Terms of Reference for the Corporate Governance and Audit Committee include the consideration of the Council’s arrangements relating to internal audit requirements and specifically, reviewing and approving the risk-based plan and any additional significant work.

Referring to resources section of the report and the requirement to provide audit services to external clients (Paragraph 3.3.1 referred) Members queried the type of organisation who use the LCC Audit Service.

Members were informed that organisations with close association with the City Council such as Leeds Grand Theatre and Opera House and BITMO were the type of organisation who would seek the assistance of the audit service.

One Member referred to Commercial Investments and queried if there was likely to be any future risk around Council processes following devolution.

Members were informed that Commercial Investment was on the reserve list for audits on a risk basis, but officers would continue to provide a watching brief.

Members asked what arrangements would be made for liaison with the new West Yorkshire mayoral authority from May.

The Head of Internal Audit explained that existing arrangements for liaison between Heads of Audit in South and West Yorkshire would continue to enable networking and sharing of ideas and concerns where relevant between authorities audit functions.

Referring to other assurance areas (Paragraph 3.3.2 referred) Members sought details as to how second line assurance was monitored.

Members were informed that assurance maps were used within the Audit Team as part of the planning process. It was reported that a review of the assurance mapping process would be undertaken in summer 2021.

Members asked if “data analytics” was used in the internal audit process.

Members were informed that data analytics was used on individual audits and more widely, and that there were plans to develop and expand the continuous audit testing programme.

RESOLVED – That the proposed Internal Audit Plan for 2021-22 be approved.

95 Annual Report of Corporate Governance and Audit Committee

The Chief Officer Financial Services submitted a report which sought approval of the Corporate Governance and Audit Committee’s Annual Report to Council for the 2020/21 Municipal year.

Addressing the report the Principal Audit Manager explained the purpose of the Annual Report was to reflect the work undertaken by this Committee in the 2020/21 Municipal year and sets out the assurances received to support the

Committee in carrying out the functions delegated to it in respect of approval of the Annual Governance Statement and Statement of Accounts.

Members noted those areas in which the work of the Committee had, through robust challenge and critical consideration, added value to the Council's arrangements for governance, audit and risk.

RESOLVED –

- (i) To approve the draft Annual Report as attached at Appendix A of the submitted report
- (ii) To authorise the Chair to sign the report on behalf of the Committee.

96 Work Programme

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

Members were informed that some adjustment to the Work Programme may be required in the future due to a number of key work requirements remained outstanding. In particular it was expected that the statutory date for publication of final audited accounts for 2020/21 would be 30th September.

Mr Gareth Mills (Grant Thornton) suggested that it was the view of most audit firms that this date would be extremely challenging to achieve, and it could not be guaranteed.

Members expressed concern with the response received and were of the opinion that the necessary resources should be allocated by GT to ensure the audit work was completed by this statutory deadline.

RESOLVED – That the proposed Work Programme be approved.

97 Date and Time of Next Meeting

RESOLVED – To note that the next meeting will take place on Monday, 28th June 2021 at 10.00am