

## **Corporate Governance and Audit Committee**

**Friday, 25th June, 2021**

**PRESENT:** Councillor K Maqsood in the Chair

Councillors: G Almass, J Bentley, Foster,  
P Grahame, P Harrand, J Illingworth and  
P Truswell

L Wild – Independent Member

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

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

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

**RESOLVED** – That Appendices 1 & 2 to the report entitled “PSN Certification – Update Report” as referred to in Minute No. 13 be designated as exempt from publication under the provisions of the Access to Information Procedure Rules 10.4(3) Information relating to the financial or business affairs of any particular person (including the authority holding that information) and that, in all the circumstances of the case, the public interest in maintaining the exemptions outweighs the public interest in disclosing the information

### **3 Late Items**

There were no late items of business identified.

### **4 Declaration of Disclosable Pecuniary and Other Interests’**

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

### **5 Apologies for Absence**

There were no apologies for absence.

### **6 Minutes of the Previous Meeting**

The minutes of the previous meeting held on 15<sup>th</sup> March 2021 were submitted for comment/ approval.

**RESOLVED** - That the minutes of the previous meeting held on 15<sup>th</sup> March 2021 were accepted as a true and correct record.

### **7 Matters Arising from the Minutes**

The Lead Officer to the Committee provided the following up-date on matters previous considered by this Committee:

Feedback from Internal Audit regarding responsibility for decisions around capacity of flood alleviation – circulated 22nd March 2021(Minutes No.89 (61) referred)

Planning enforcement Protocol – circulated 21st April 2021(Minute No. 89 (35) referred)

Customer Contact and Satisfaction - Follow up information circulated 13th April 2021(Minute No. 89 (75) referred)

LOBO case (Minute No. 91 referred) – In providing an update the Head of Service (Legal Services) said after the initial strike out hearing, which the Council(s) did not win, it was agreed to settle the claim and that all parties would pay their own costs

Internal Audit update report (Minute No.93 referred)

- Lettings review – managers able to interrogate system although not receiving reports and whether post implementation review done. – information circulated 24th April 2021 and Chair of Scrutiny Board Environment, Housing and Communities advised and had met with Chief Officer Housing.
- Fire safety – details of outstanding work and proposed timescales circulated 7th June 2021

Referring to the Planning enforcement Protocol, Councillor Illingworth said last year he had raised concerns about the suitability of our Planning Procedures, they were considered, but as far as he was concerned the matters had not satisfactorily been addressed, a number of issues remained outstanding and this was also the view of the previous Chair.

In responding the Lead Officer to the Committee said the Annual Planning Report remains on the Work Programme and would be considered at a later date, the Planning and Enforcement Procedure has been established and circulated following consultation with the Chair. It was reported that an Internal Audit investigation was still ongoing into the two particular cases raised at the Committee, the Head of Audit was shortly to meet with the Chief Planning Officer to discuss the findings of the investigation, which would then be circulated to Members in due course.

Referring to the Annual Treasury Management Governance Report (Minute No.91 referred) Members queried if there was further clarification as to who would be responsible for monitoring the treasury management affairs of the Police Authority once the Police and Crimes Commission combines with WYCA.

The Chief Financial Officer reported that currently the responsibility was with Wakefield District Council, but a review would be undertaken during the course of the year to determine who was best placed to monitor the treasury management affairs of the Police Authority, and that the outcome would be fed back to the committee.

## **8 Grant Thornton Annual Audit Letter 2019/20**

The Chief Officer Financial Services submitted a report which informed the Committee that in accordance with proper audit practice, Grant Thornton (External Auditors) had issued their Annual Audit Letter 2019/20, which provided a summary of the key audit findings for the financial year.

Appended to the report was a copy of the Annual Audit Letter. The letter confirmed that Grant Thornton were able to provide an unqualified opinion on the council's financial statements for 2019/20 and an 'except for' opinion on the council's arrangements to secure value for money for 2019/20.

Addressing the report Mr Perminder Sethi (Engagement Senior Manager – Grant Thornton) explained that Grant Thornton issued an unqualified opinion on the 2019/20 Statement of Accounts. Grant Thornton's review of the council's Annual Governance Statement found that it was consistent with their understanding of the council.

Members were informed that at the time of drafting the Annual Audit Letter Grant Thornton's audit of the council's WGA (Whole of Government Accounts) return for 2019/20 was not completed, and that auditors were not permitted to certify that the audit for a financial year was completed until the WGA audit has been concluded. Mr Sethi now confirmed that the Council's WGA audit had since been completed and the Council's final WGA return was submitted on 4th June, and the Audit Certificate relating to the 2019 audit had been issued and the audit closed.

Members were informed that Grant Thornton issued an 'except for' opinion on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources. They identified that the council's level of general fund reserves had been insufficient to manage the financial impact of an event on the scale of the covid pandemic without taking unplanned short term measures, and recommended that the council should continue to keep under review the adequacy of its level of reserves and the potential to reduce expenditure.

Referring to the outturn position for the 2021 budget, recently considered at the Executive Board, Cllr Bentley suggested that the outturn position for 2021 was very different from that expected in terms of a number of budget assumptions. Given the level of usable reserves was higher than anticipated he questioned the scope for revisiting the budget assumptions made for the 2021/22 budget.

The Chief Officer Financial Services said the authority was not in a substantially different position from that forecasted. Although the council was in a better position than anticipated, this meant that the council did not have to borrow against reserves, and the reserve could therefore be maintained giving time to manage the ongoing pressure against the base budget.

Referring to the 'except for' position in relation to the allocation of reserves, Cllr Truswell noted that funds allocated to the reserves are diverted from front line services, and asked what level of reserves would be considered appropriate by the council's external auditors.

In responding Mr Sethi said that all local authorities should have capacity for unforeseen events, there was a need to have financial resilience, the responsibility of which was the City Council's Section 151 Officer, who had the authority to decide on the level of resilience, through a combination of analysis of risk and looking at the medium term financial strategy.

The Chief Officer Financial Services confirmed that an analysis of budget risks and the requirement to achieve a sustainable budget is undertaken annually and reported to Council, and forms part of the Medium-Term Financial Strategy. It was confirmed that it is recognised that the council needs to build up its reserves, but that this must be done in balance with the need to deliver front line services.

Referring to the external audit value for money conclusion, Cllr Foster enquired as to what level of reserve in percentage terms would be considered adequate?

In responding Mr Sethi indicated that the Council should revisit the 5% level to determine whether this was adequate. The distribution information relating to core city reserve levels contained in the ISA 260 report, received by the Committee at its February meeting would give further context.

Members sought clarification around the audit fee and in particular how fees for additional work were agreed

Members were informed that the Public Sector Audit Appointments (PSAA) who appoint the Council's external auditors fix the audit fee in advance by reference to a scale, but that fee variations are permissible within the scheme where additional work was required. The external auditors propose the additional fee and provide evidence of the work, and the PSAA determine the request, taking into consideration comments from the audited body (the Council) as to whether the additional work is necessary and appropriate. Payment of the external audit fee is the delegated responsibility of the Chief Officer Financial Services as the Council's Section 151 Officer.

## **RESOLVED –**

- (i) To receive the Annual Audit Letter

- (ii) To note the conclusions arising from the 2019/20 external audit process.

## **9 Grant Thornton Audit Progress Report**

The Chief Officer Financial Services submitted a report which informed the Committee that Grant Thornton (LCC External Auditors) had provided an Audit Progress Report on their 2020/21 audit which included their proposed timetable for the 2020/21 audit and their proposed audit fee.

Addressing the report Mr Sethi (Grant Thornton) explained that Grant Thornton had provided an Audit Progress Report on their 2020/21 audit which outlined their proposed timetable for the 2020/21 audit and their proposed audit fee.

Mr Sethi confirmed that planning work for the 2020/21 audit was commenced and that the audit plan would be presented to the Committee in July. The ISA 260 report would then be presented when finalised. Members were asked to note that the requirements for the audit of Value for Money arrangements of local authorities had changed significantly this year. This would result in a lengthier audit process which would be reported separately from the audit of the financial statements.

Addressing the audit fee for 2021 Mr Sethi drew the committee's attention to the increased levels of work required by sector regulators and the increased resources required. Mr Sethi also highlighted the recruitment issues faced across the industry, and the impact of Covid-19 which have led to delays in delivering robust audit opinions. The external auditors are therefore working to a realistic target of November 2021 for completion of the audit of the financial statements.

### **RESOLVED –**

- (i) To receive the Audit Progress Report
- (ii) To note the proposed timetable for delivery of the 2020/21 audit
- (iii) To note the proposed audit fees.

## **10 Internal Audit Update Report February to April 2021**

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

Presenting the report, the Senior Audit Manager confirmed that all audits carried out during the reporting period (1<sup>st</sup> February to 30<sup>th</sup> April 2021) had received an opinion of acceptable or above, and that the key financial system audit on housing rents had provided substantial assurance and is well

established with robust controls in place. The Senior Audit Manager confirmed that a follow up audit will take place in the 2021/22 audit plan to check progress in relation to the school which had received a further limited opinion.

The Committee's attention was drawn to the customer service questionnaires, results from which remain strong.

Finally, The Senior Audit Manager addressed progress against the 2020/21 plan and confirmed that the plan is nearing completion. Future update reports will provide information in relation to strengthened arrangements for monitoring of progress against the plan.

Members queried if sufficient resources were in place to address any priority risks to the authority.

The Head of Audit explained that the service was undergoing a Service Review as part of the financial challenge which would provide an assurance as to the efficiency of the service. It was noted that benchmarking data in relation to resources was historically proportionate to other core cities.

Commenting on the Status of Planned Audits, Cllr Bentley requested that a planned "date of Completion" be added in the status column. Cllr Bentley also enquired whether any significant issues identified in relation to reviews "in progress" would be highlighted to the committee pending completion of those reviews.

Members were informed that in future performance and progress would be broken down into a Quarterly Plan to provide an ongoing picture and that issues of significant severity or impact would be drawn to the attention of the Committee.

Referring to ICT reviews, Cllr Bentley asked whether reviews ensured that client requirements were met in a project under review.

The Senior Audit Manager confirmed that efforts were made to ensure that the right people were in the room at the start of a project to provide a holistic view when scoping the project.

The Independent Member enquired what impact ongoing audits from the 2020/21 plan would have on the plan for the coming year.

The Head of Audit confirmed that account had been taken of ongoing reviews and that the 2021/22 plan adjusted accordingly.

## **RESOLVED –**

- (i) To receive the Internal Audit Update Report covering the period from February to April 2021 and note 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.

## **11 Counter Fraud Update Report**

The Chief Officer Financial Services submitted a report which sets out details of the counter fraud activities undertaken by the Internal Audit service between the period December 2020 and March 2021.

In presenting the report the Principal Audit Manager confirmed that the report is a bi-annual update report providing assurance as to the control environment in respect of counter fraud and corruption activity, and that this report relates to the period December to March 2021.

Members were informed that the assurance set out within the submitted report sought to inform the annual audit opinion given by the Head of Internal Audit, and provide evidence of the ongoing review of the Council's arrangements for internal control supporting the Council's Annual Governance Statement. The report details both proactive and reactive work undertaken.

Members were invited to comment on and provide suggestions on the content of the report.

**RESOLVED** – To note the assurances provided in the submitted report.

## **12 Work Programme 2021/22**

The Chief Officer Financial Services submitted a report which set out the proposed Work Programme for the remainder of 2021/22, together with a proposed Development Plan for the Committee.

**RESOLVED** –

- (i) To approve the proposed work programme and meeting dates set out at Appendix 1
- (ii) To approve the development plan attached at Appendix 2 to the report.

## **13 PSN Certification - Update Report**

The Data Protection Officer submitted a report providing an update on Leeds City Council's readiness for Public Services Network (PSN) compliance submission.

The report explained 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 and shared with the Director for Resources and Housing and with the previous Chair of this Committee. The formation of the Cyber Team late last year and the implementation of new governance arrangements for compliance related projects means that the Council is on track to make a compliant PSN submission in July 2021.

At this point the meeting agreed to move into closed session to receive details of the Cyber Team Actions (Appendix 1) and Projects with an impact on a compliant PSN submission (Appendix 2)

**RESOLVED –**

- (i) To receive the PSN Certification Update Report covering the period from February 2021 to June 2021
- (ii) To note the updates with regards to the PSN remediation work currently undertaken by the Digital and Information Service

**14 Date and Time of Next Meeting**

**RESOLVED –** To note that the next meeting will take place on Friday, 30<sup>th</sup> July 2021 at 2.00pm in the Civic Hall, Leeds.