

CONSULTATIVE MEETING OF MEMBERS OF THE CORPORATE GOVERNANCE AND AUDIT COMMITTEE

FRIDAY, 17TH DECEMBER, 2021

PRESENT: Councillor K Maqsood in the Chair

Councillors G Almass, J Bentley, M Foster,
P Grahame, J Illingworth, J Shemilt, and
P Truswell

Linda Wild – Independent Member

1 Chair's Opening Comments

The Chair explained that this meeting was taking place as a remote consultative meeting in light of the current guidance in respect of the Covid 19 pandemic.

She said in the interests of transparency and openness the meeting was publicised in the usual way with the agenda and report pack available on-line, and the meeting was live streamed on the City Council's Website so that the public could observe the meeting without needing to be present.

As a remote meeting, the meeting was consultative only, and was not legally able to take any formal decisions. Recommendations made by the meeting, and recorded in this note, will therefore be referred to the next physical meeting of the committee for approval.

2 DECLARATION OF INTERESTS

There were no declarations of interest made at the meeting.

3 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor P Harrand

4 PUBLIC SECTOR INTERNAL AUDIT STANDARDS - EXTERNAL QUALITY ASSESSMENT

The Chief Officer Financial Services submitted a report which set out details of an external independent review of Leeds City Council's Internal Audit Service undertaken by Glasgow City Council. The purpose of the report was to provide independent assurance that the Internal Audit Service conformed with the requirements of the Public Sector Internal Audit Standards (PSIAS).

The Chair introduced and welcomed to the meeting Duncan Black and Jillian Campbell, Audit Services, Glasgow City Council

Addressing the report Mr Black explained the audit function was appropriately positioned within the organisation; independent and objective; trusted; highly regarded by stakeholders; and made a positive contribution to the systems of governance, risk management and internal control.

In terms of the audit opinion, Mr Black said that independent review and sample testing had confirmed that Leeds City Council's Internal Audit Function conformed with the requirements of the Public Sector Internal Audit Standards.

Commenting on the Stakeholders questionnaire, it was noted that of the 10 questionnaires sent out, only 5 had been completed and returned (50%) Members queried if such a return rate had an impact on the overall opinion.

In responding Mr Black said the rate of return on the Stakeholders questionnaire did not impact on the overall conclusion which was valid based on assessment of supporting evidence. Stakeholder questionnaire provided qualitative assurance and would not affect the overall conclusion. Mr Black undertook to provide details so that the committee's disappointment could be communicated by the Head of Audit.

Referring to page 14 of the submitted report and the "challenge for Internal Audit going forward in accommodating and managing audits when resources in departments were reducing and their capacity for responding to audit may be reduced". Members queried if there was any recourse if such issues were not responded to, were auditors proactive in managing the audit plan to provide assurance that work would not be limited as a result of resource issues in future.

The Head of Audit confirmed that auditors were developing liaison arrangements with directorates, to ensure proactive management of the plan. Similarly, work is underway to amend the approach to recommendation tracking to provide assurance that recommendations are all implemented in a timely way.

In response to Member questioning the Head of Audit confirmed that appropriate escalation was available if directorates failed to respond to internal audit; responses would be sought from the hierarchy of the organisation with possibly a report to Members if the response was not satisfactory.

One Members asked if consideration had been given to asking questions outside the normal remit of an audit.

In responding the Chief Officer Financial Services said that the Council has a very modern audit function, auditors were involved in a range of work, including transformation work where colleagues were engaged from the beginning and work alongside providing challenge throughout the process in addition to the traditional review model of audit.

The Chair thanked Mr Black and Ms Campbell for their attendance and contributions.

RECOMMENDED -

- (i) To receive the Leeds City Council Public Sector Internal Audit Standards External Quality Assessment undertaken by Glasgow City Council
- (ii) To note that Leeds City Council's Internal Audit Service conforms with the requirements of the PSIAS.

5 ANNUAL ASSURANCE REPORT ON CORPORATE RISK MANAGEMENT ARRANGEMENTS

The Intelligence and Policy Manager submitted a report which presented the Annual Assurance Report on Corporate Risk Management Arrangements which sought to provide assurance on the effectiveness of the council's corporate risk management arrangements: that they are up to date; fit for purpose; effectively communicated and routinely complied with. The report also explained the key arrangements in place and additional work planned for 2022.

Members noted the responses received to the survey of internal control and questioned whether the fact that 'somewhat', 'not at all' and 'don't know' responses outweighed responses indicating that officers were 'very much' aware and compliant with arrangements should give rise to concern.

In responding the Intelligence and Policy Manager described arrangements to review risk registers which would increase awareness of arrangements. In addition, he noted that the publicity in relation to the launch of the revised risk strategy should result in increased awareness which would be tested in the next survey of internal control.

Members sought further details of the development of a risk register for use within the Council's Corporate Procurement Unit.

The Intelligence and Policy Manager explained that work had taken place a number of years ago to identify procurement related risks and that there were two procurement risks reflected on the directorate risk register. However, there was a need for further work to understand the issues in more granular detail and to update procurement procedures in response.

Members asked if there were any other Council Services where the risk register required further work.

Members were informed that the council currently maintains in excess of 90 risk registers. In addition to regular reviews in directorates visits are undertaken to key services and horizon scanning is undertaken to identify particular areas of concern where further updating may be required.

Members noted that the council's risks arose from a variety of sources, some of which were out of the direct control of the City Council. Members asked whether the partnership governance and risk checklist explored arrangements in relation to relevant risks in and for partner organisations.

The Intelligence and Policy Manager advised that the checklist focussed on risks to the council.

The Chair requested that the partnership governance and risk checklist be circulated to all Members of the Committee.

Members asked if sufficient resources were available to undertake "horizon scanning".

Members were informed that good connections had been established across the Council, and that useful data/ information was provided by Professional Bodies. Although the central risk team has reduced, smarter working in collaboration with other colleagues would enable good oversight in addition to quarterly opportunities for directorate leadership teams to consider their risk profile.

RECOMMENDED –

- (i) To receive the annual report on the council's corporate risk management arrangements and note the assurances in support of their next Annual Governance Statement.
- (ii) That the partnership governance and risk checklist be circulated to all Members of the Committee.

6 ANNUAL BUSINESS CONTINUITY REPORT

The Director for Resources submitted a report which provided assurance on the adequacy of internal business continuity management controls currently in place in the council; that they are up to date; fit for purpose; effectively communicated and routinely complied with.

Addressing the report, the Intelligence and Policy Manager explained that Business Continuity Management (BCM) was a process that helps manage risks to the smooth running of an organisation or delivery of a service, ensuring continuity of critical functions in the event of a disruption, and effective recovery afterwards. Leeds City Council recognise the benefits of having efficient and effective business continuity management arrangements in place. Not only is BCM good practice, but it is also a requirement of the Civil Contingencies Act 2004, which made it a statutory duty of all Category 1 responders (which includes local authorities) to have in place business continuity plans (BC Plans).

Members were informed that cyber security was a continuing threat and currently there was a significant amount of work taking place to update Business Continuity Plans which were heavily reliant on IT systems.

Members asked what lessons had been learned from the Covid-19 pandemic.

The Intelligence and Policy Manager said that a review of impact on critical services would assist in the prioritisation of business continuity planning. The focus was now to align the plans with the risk (to reflect the risk). Members were informed that flooding was now a significant area of risk, with greater emphasis being put on this type of risk.

Members asked about arrangements to embed business continuity plans in services.

The Intelligence and Policy Manager advised that each business continuity plan has an identified key contact in addition to a plan 'owner'. The review was being used to promote ownership of each plan. It was however acknowledged that the testing programme was in need of an overhaul.

RECOMMENDED – That the report be received, noting that the business continuity arrangements are fit for purpose, up to date, are routinely complied with, have been effectively communicated and are monitored.

7 ANNUAL ASSURANCE REPORT ON CORPORATE PERFORMANCE MANAGEMENT ARRANGEMENTS

The Director of Resources submitted a report which presented the Annual assurance report on corporate performance management arrangements and provided assurance on the effectiveness of the council's corporate performance management arrangements; that they are up to date; fit for purpose; effectively communicated and routinely complied with.

Addressing the report, the Intelligence and Policy Manager explained that the strategic ambitions, outcomes and priorities of the council were set out in the Best Council Plan (BCP) which provided the framework for the council's performance management arrangements. The BCP incorporates a set of Key Performance Indicators (KPIs) that help measure progress over time against the outcomes and priorities set out in the BCP.

Acknowledging the planned development of a Best City Ambition in place of the existing Best Council Plan, the Policy and Information Manager indicated that there would need to be a correlative review of the KPIs to reflect what and how performance will be reported.

Members asked how great a change to the KPI's was anticipated, given that not all issues within the proposed Best City Ambition fall within the council's remit and control.

Members were informed that KPI's which work well would remain (internal ones). External KPI's had less influence on Council outcomes, and these would be kept under review.

Members asked whether KPIs would continue to reflect the Inclusive Growth Strategy.

The Policy and Information Manager confirmed that the Inclusive Growth Strategy was due for review in the next year, and that the relevant KPIs would be reviewed following on from this.

RECOMMENDED – That the report be received, noting its contents provides key forms of assurance on the robustness of the authority's corporate performance management arrangements.

8 INTERNAL AUDIT UPDATE REPORT AUGUST TO NOVEMBER 2021

The Chief Financial Services Officer submitted a report which provided assurance that the internal control environment was operating as intended through a summary of the Internal Audit activity for the period from August to November 2021.

Addressing the report, the Senior Audit Manager explained that 20 audit reports (excluding external work) had been issued during the period from 1st August 2021 to 30th November 2021.

It was reported that during the reporting period there been no limitations to the scope, and nothing had arisen to compromise the independence of the auditors.

Members sought further clarification around the Customer Satisfaction questionnaires.

The Senior Audit Manager explained that feedback was requested after each audit, often there was a time lag in receiving the information. It was also reported that some investigations were crosscutting, for example grant work, which often spanned across a number of council areas.

Members asked if the information showing that there is currently a lower response rate from schools was representative of a longer-term trend dating back to pre-covid times.

In responding the Senior Audit Manager said that an analysis of the data would be undertaken and shared with Members.

Referring to "No Recourse to Public Funds" and issues around accuracy of some payments, Members queried if these were of a material nature, and whether these were isolated examples or systemic.

Members were informed that the payment errors were relatively low in monetary value but higher in frequency. Investigations were currently ongoing with a view to enhancing the level of automation in the payment system. It was reported that a follow-up audit would be undertaken.

Members requested that the section on other audit work in future reports incorporate a value judgement on the basis of work carried out to provide further assurance in relation to these matters.

The Senior Audit Manager thanked the Member for this suggestion and welcomed any further feedback as the new style report was developed.

RECOMMENDED –

- (i) To receive the Internal Audit Update Report covering the period from August to November 2021 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 Receive the report providing information relating to the Monitoring of Urgent Decisions covering the period August to November 2021
- (iv) To provide to Members details of the response rate now, compared to that of pre-covid times on customer satisfaction questionnaires.