

Corporate Governance and Audit Committee

Monday, 14th February, 2011

PRESENT: Councillor G Driver in the Chair
Councillors P Grahame, N Taggart,
C Campbell, G Kirkland, A Lowe, Tollefson,
S Smith, J Elliott, P Harrand, W Hyde,
J Lewis and T Hanley
Co-optee G Tollefson

Apologies

88 Appeals Against Refusal of Inspection of Documents

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

89 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

90 Late Items

There were no late items submitted to the agenda for consideration.

91 Declaration of Interests

There were no declarations of interest made.

92 Apologies for Absence

There were no apologies received for absence.

93 Minutes of the Previous Meeting

The minutes of the Corporate Governance and Audit Committee held on 24th January 2011 were approved as a correct record.

94 Matters Arising

The Chief Officer (Audit and Risk) informed the Committee, in relation to Minute 86, Annual Audit Inspection Letter, that in light of discussions with KPMG during the item and through officer negotiation, KPMG will propose an

audit fee of £513,000k which is line with Audit Commission recommendations. The proposed fee had previously been £598,500.

95 Corporate Performance Management Arrangements

The Performance Manager (Planning, Policy and Improvement) presented a report of the Assistant Chief Executive (Planning, Policy and Improvement) which showed the procedures in place that will act as an early warning system for potential areas of concern, rather than the authority relying on inspection from external bodies alone. The report also introduced Members to the Performance Dash Board that has been adopted by the authority and were presented with a visual display showing what the Performance Dashboard looks like.

Members contemplated the Performance Dashboard presented to them and stressed the importance of this work in contributing to a strong control environment and reducing the potential for any unexpected outcomes which could have a negative impact on the Council.

RESOLVED – The Committee resolved to note the contents of the report.

96 Implications of the Localism Bill for the ethical framework in Leeds

The Chair of the Standards Committee and the Head of Governance Services presented a report of the Assistant Chief Executive (Corporate Governance) which sought preliminary views from the Committee as part of a consultation process on aspects of the Localism Bill which relate to the Council's ethical governance arrangements, specifically: Members' Code of Conduct; Standards Committee; and Local Assessment arrangements.

Members discussed the report in detail, considering the various questions relating to the Standards Regime which had been framed in response to the Member Code of Conduct implications of the Localism Bill

Members considered whether in principle a code of conduct need be put in place. Members commented that public interest in such arrangements is likely to remain. Members also commented that should a new code be introduced consideration of allegations of misconduct should be different to what has gone before in that Members should be informed from the outset that a complaint had been made against them. Furthermore that it would be essential for any complaint to be reviewed before any proceedings take place to ensure that frivolous complaints are rejected.

Members were also of the view that if adopted any new code of conduct should be signed by all current Members and any new Members on being elected to the Council.

The Committee agreed that if any local arrangement be introduced consideration would need to be given as to the role of independent people as co-opted Members.

RESOLVED – Members resolved that:

- (a) a voluntary code of conduct should be introduced that should be different to the previous code specifically allowing Members to be informed from the outset of any complaint, specifically that:
1. the same process should be in place for dealing with differing complaints, namely:
 - Member against Member;
 - officer against Member; and
 - member of the public against Member.
 2. consideration be given to whether a separate Committee be appointed to administer any complaints under a voluntary code;
 3. any such Committee should be independent, and consideration be given as to whether the Chair be an independent co-opted individual; and
- (b) a further report be brought to the Committee providing an update on the implications of the Localism Bill.

(Councillor Taggart entered the meeting at 2:20pm during the discussion of this item. Councillor Lowe entered the meeting at 2:40pm during the discussion of this item.)

97 International Financial Reporting Standards

The Principal Finance Manager (Financial Management) presented a report of the Director of Resources. The report updated the Committee on progress towards implementing IFRS based accounts for the 2010/11 financial year.

Members discussed the report raising particular concerns with regards to: ensuring that all Leases the Council had entered into had been recorded; and the increase in the deficit figure.

RESOLVED - Members resolved to note the progress to date on implementation of IFRS.

98 Reporting Arrangements for Significant Legal Cases Involving the Council

The Chief Officer (Legal, Licensing and Registration) presented his report which advised the Committee of current arrangements in respect of significant legal cases involving the Council and make recommendations in respect of such arrangements.

Members discussed the report and specifically considered the proposals featured in paragraph 7 of the report. Members considered which Members should be kept informed of significant legal cases and the depth of information that should be given.

It was considered that rules surrounding which Members should be informed of significant legal cases might not be the best option as this could potentially restrict the flow of information to Members. Members also considered that reports should be received as appropriate and that they should be provided by Directors.

Members also asked questions on the trends of cases against the Council and the reasons behind any trends. It was considered that the statistics and costs of legal cases would be best considered at the Central and Corporate Scrutiny Board.

RESOLVED – The Committee resolved to:

- (a) agree that the Chair of the Committee write to the Chair of the Central and Corporate Scrutiny Board to request that the Board considers whether it wishes to add to its work programme consideration of the statistics and spend relating to legal cases made against the Council.
- (b) not be limited by rules as to which Members should be informed about legal cases involving the Council;
- (c) agree that a brief outline for each significant case should be given to the relevant Executive Member and ward members where appropriate;
- (d) the timing of such reports should be monthly or at key stages of the case; and
- (e) agree the responsibility for updating Members should fall to Directors.

99 Reporting Arrangements for Significant Claims Against the Council

The Insurance Manager presented a report of the Director of Resources. The report advised the Committee of the current arrangements for advising management of significant legal action against the Council.

Members discussed the report in detail. Members asked questions with regards to the costs associated with insuring the Council's assets. Also highlighted was the cost of the numerous small claims made against the Council and that efforts should be made to prevent this type of claim.

RESOLVED – The Committee resolved to:

- (a) receive details on the cost of insuring the Council's assets;
- (b) receive a further report detailing the amount and type of small claims and the actions taken to reduce them; and

- (c) confirm they were satisfied with the process for dealing with trends in insurance claims and the process for informing Members of significant claims against the Council.

100 Internal Audit Report February 2011

The Head of Internal Audit presented a report of the Director of Resources. The report detailed the cost of Internal Audit to the Council and provided information on the value the section adds to the Council. The report also provided the Committee with the reports Internal Audit has issued from 1st June 2010 to the 24th January 2011.

Members discussed the report and highlighted the importance of keeping a significant number of days for counter fraud and corruption work. Whilst considering the report Members were also concerned to ensure that all outstanding duplicate payments owed to the Council are recovered.

The Committee raised concerns about suspected misappropriation of ICT equipment due to poor control arrangements and noted the work Internal Audit has done to improve this situation.

In reviewing the audits completed Members identified Mount St Mary's School had be marked as having a failing control environment and failing in compliance with it and requested further information on the reasons behind this.

In summary Members agreed in light of the current economic climate there should be a re-ordering of priorities in terms of auditing Council services.

RESOLVED – The Committee resolved to:

- (a) note the Internal Audit report, the changes to the 2010/11 Operational Plan and the value added to the organisation by the Internal Audit section; and
- (b) request details on the finding of the audit of Mount St Mary's School.

101 Communities and Local Government Consultation - Amendments to the Accounts & Audit Regulations 2003

The Principal Finance Manager (Financial Management) presented a report of the Director of Resources. The report informed Members of the main amendments to the Accounts and Audit Regulations 2003 and sought Members' views on the proposed changes.

Members discussed the report and expressed dissatisfaction with the de-criminalisation of contravention of the Accounts and Audit Regulations 2003.

RESOLVED – The Committee resolved to note the contents of the report.

102 Work Programme

The Assistant Chief Executive (Corporate Governance) submitted a report notifying Members of the draft work programme.

The Committee reviewed its forthcoming work programme.

RESOLVED - The Committee resolved to note the draft work programme.