

## **Corporate Governance and Audit Committee**

**Monday, 23rd January, 2012**

**PRESENT:** Councillor G Driver in the Chair  
Councillors N Taggart, C Campbell,  
G Kirkland, A Lowe, J Elliott, W Hyde,  
T Hanley, C Fox, G Hussain and J Hardy  
(as substitute for P Grahame)

**Co-optee** G Tollefson

Apologies Councillors P Grahame

### **55 Passing of the Chief Procurement Officer**

At the commencement of the meeting, Members and officers stood in silent tribute to remember Wayne Baxter, Chief Procurement Officer, who tragically passed away late last year.

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

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

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

There were no resolutions to exclude the public.

### **58 Late Items**

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

### **59 Declaration of Interests**

Councillor G Driver declared a personal interest in item 14. (Minute 69 refers) Internal Audit report December 2011, as a Board Member of Belle Isle Tenant Management Organisation.

### **60 Apologies for absence**

Apologies for absence were received from Councillor P Grahame.

## **61 Minutes of the Previous Meeting**

The minutes of the Corporate Governance and Audit Committee held on 9<sup>th</sup> November 2011 were approved as a correct record. A minor amendment was agreed with regards to Mr Tollefson's declaration of interest was incorrectly recorded being at minute 52 and the report on Leeds Initiative Governance. The clerk undertook to amend the minutes accordingly.

## **62 Chair's Remarks**

The Chair informed the Committee that he had recently attended a workshop hosted by the Department for Communities and Local Government (DCLG) to discuss arrangements for the future of public audit. Key messages from the workshop were that DCLG want to engage on the practical arrangements in respect of Independent Audit Appointment Panels, rather than the principle of requiring Councils to establish such panels but that both primary and secondary legislation is required to affect the changes. The Chair also informed the Committee that it is likely that the Audit Commission will be in place until 2015.

## **63 Government Response to the Future of Local Audit Consultation**

The Chief Officer (Audit and Risk) presented a report of the Director of Resources. The report informed the Committee of the Government's response to representations made to the consultation on the future of public audit.

Consideration was given to the role of the proposed independent audit appointment panel and how this would effect the purpose and work of the Committee.

Members sought an indication of the savings which might occur from the Council appointing its own auditor: The Chief Officer (Audit and Risk) reminded members that KPMG have previously reported that 20% of the current fee is retained by the Audit Commission so a 20% saving might be indicative. The Chief Officer (Audit & Risk) also pointed out that not all commentators agree that audit fees will reduce in the new regime and organisations like CIPFA still have concerns about the overall level of fees.

The Chair informed the Committee that the Department for Communities and Local Government had still not concluded its deliberations and it was expected further consultations on this and other matters.

**RESOLVED** – The Committee resolved to:

- (a) note DCLG's response to the consultation;
- (b) note the proposal to actively engage with DCLG to influence the emerging framework and regulations; and
- (c) receive further reports on the framework as the timetable for legislative change is clarified.

#### **64 Consultation on the interim auditor appointment for 2012/13**

The Chief Officer (Audit and Risk) presented a report of the Director of Resources. The report informed the Committee that the Audit Commission are consulting with the Council on making an interim appointment for the 2012/13 audit.

Members discussed the report and concluded that it was a sensible measure to continue for the next six months with the firm that is currently handling the Council's accounts.

**RESOLVED** – The Committee resolved to note and support the Director of Resources intention to raise no objections to the appointment of KPMG on an interim basis.

#### **65 KPMG Report - Annual Audit Letter**

The Principal Financial Manager (Financial Management) presented a report of the Director of Resources which provided the key external audit findings in respect of the 2010/11 financial year.

Steve Clark and Heather Garrett were also in attendance representing the external auditors KPMG.

Members queried the section in the Annual Audit Letter on waste management and developments effecting it. Members were informed that a watching brief will be maintained in this area.

The Chair congratulated Council officers on managing the production and completion of the 2010/11 final accounts and for their successful co-operation with the external auditors.

**RESOLVED** – The Committee resolved to note the conclusions and recommendations arising from the 2010/11 audit process.

#### **66 Capital Programme Approvals**

The Chief Officer (Financial Development) presented a report of the Director of Resources. The report informed the Committee of proposed changes to the capital programme approvals framework.

The report also presented the recommendations of a Resources and Council Services Scrutiny Board Working Group in relation to capital decision making.

Members sought reassurance that the proposed changes substantially added value to the council's arrangements and were informed that the proposals;

- Simplified the decision making process;
- Improved clarity as to the accountability for capital decisions; and
- Did not alter the corporate decision making arrangements in respect of definition of key decisions or call in nor removed the ability of Executive Members to require that directors referred matters relating to capital schemes to Executive Boards for approval.

**RESOLVED** – The Committee resolved to:

- (a) note the proposals contained within the report; and
- (b) receive periodic papers in relation to the implementation of the arrangements.

## **67 Treasury management Governance framework**

The Principal Finance Manager (Capital and Treasury) presented a report of the Director of Resources which outlined the governance framework for the management of the Council's Treasury Management function. The report also reviewed compliance with the revised Chartered Institute of Public Finance and Accountancy code of practice on treasury management and guidance notes and revised prudential code.

**RESOLVED** - The Committee resolved to:

- (a) note the delegations in respect of treasury management;
- (b) note the assurance that Treasury Management has adopted and is complying with the revised CIPFA Code of Practice and guidance notes and the Prudential Code.

## **68 Partnership Governance**

The Head of Governance Services presented a report of the Director of Resources, the report updated the Committee on the Council's partnership governance arrangements.

**RESOLVED** – The Committee resolved to note the update provided.

## **69 Internal Audit Report December 2011**

The Head of Internal Audit presented a report of the Director of Resources which provided a summary of internal audit activity for the period September – December 2011 and highlight the incidence of any significant control failings or weaknesses monitored in the report.

Members considered the opinion given by Internal Audit on schools. They also sought fuller assurance in respect of the use of purchasing cards.

Consideration was also given to the Nursery Education Grants work undertaken by Internal Audit; the proposals to undertake further follow up work to ensure previous recommendations had been implemented was welcomed.

Members discussed the Belle Isle Tenant Management Organisation and raised concerns that some tenancy applications had been unable to be located. Members similarly questioned whether missing applications might also be a problem in other ALMOs and wished to updated on progress in a subsequent report.

**RESOLVED** – The Committee resolved to:

- (a) note the work undertaken by Internal Audit during the period covered by the report; and
- (b) request further information be included in a subsequent report on Nursery Education Grants and ALMO tenancy application forms.

## **70 Performance Management Update**

The Performance Manager presented a report of the Chief Officer (Intelligence and Improvement) which provided an update to the Committee on the Council's arrangements for performance management; specifically how these arrangements are contributing to achieving each of the Cross Council Priorities. The report also sought feedback form the Committee on the robustness of these arrangements prior to the framework being finalised.

Members discussed the report giving consideration to the relationship between performance management and risk management in light of risk management generally looking into the future and performance management reviewing past performance.

**RESOLVED** – The Committee resolved to continue to monitor the implementation of the arrangements detailed within the report through the submission of an annual risk and performance report in the summer after the year end reporting has been completed.

## **71 Protecting the Public Purse 2011**

The Audit Manager (Internal Audit) presented a report of the Director of Resources which presented a self assessment of the Council's position against the recommended best practice in the Audit Commission's 'Protecting the Public Purse 2011' report and proposed actions to address areas where further work could be done to address the risk of fraud and corruption.

Members gave consideration to the report and questioned officers on the local position in terms of fraud committed against the Council and what resources were being out into identifying and preventing fraud.

Members emphasised the important of investigating housing tenancy fraud highlighting the problems they had encountered in this area. Suggestions were also made with regards to closer working between West Yorkshire Police's Economic Crime Unit and the Council's Internal Audit service.

**RESOLVED** – The Committee resolved to:

- (a) note the assessments made by Internal Audit regarding arrangements to meet the best practice detailed in Protecting the Public Purse 2011;
- (b) note the proactive approach being taken in continually improving controls to prevent fraud against the organisation; and
- (c) receive updates form Internal Audit on the issues raised.

## **72 Work Programme**

The Director of Resources submitted a report notifying Members of the work programme.

The Committee reviewed its forthcoming work programme. The Chief Officer (Audit and Risk) informed the Committee that he intended to review the work programme with the intention of aligning it more towards the Annual Governance Statement.

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