

Corporate Governance and Audit Committee

Tuesday, 19th March, 2013

PRESENT: Councillor T Murray in the Chair
Councillors T Hanley, C Fox, G Hussain,
R Wood, E Taylor, J Illingworth, J Bentley
and T Leadley (as substitute for J Elliot)

Apologies Councillors P Grahame and J Elliott

39 Appeals Against Refusal of Inspection of Documents

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

40 Exempt Information - Possible Exclusion of the Press and Public

There were no resolutions to exclude the public.

41 Late Items

There were no late items added to the agenda.

42 Declaration of Disclosable Pecuniary and Other Interests'

There were no declarations made.

43 Apologies

Apologies for absence were received from Councillor J Elliot. Councillor T Leadley was in attendance as substitute. Apologies were also received from Councillor P Grahame.

44 Minutes - 9th November 2012

RESOLVED - The minutes of the meeting held on 9th November 2012 were confirmed as a correct record.

45 Internal Audit Quarterly Report

The Principal Audit Manager presented a report of the Director of Resources. The report provided a summary of Internal Audit Activity for the period October 2012 and January 2013 highlighting the incidence of any significant control failings or weaknesses.

Draft minutes to be approved at the meeting
to be held on Monday, 22nd April, 2013

Members sought assurances around the financial management arrangements in place in Leeds Schools, particularly the extent to which independent and objective Internal Audit opinion is provided to Governing Bodies on how those arrangements are complied with.

The Principal Audit Manager confirmed that those schools outside of the control of the LEA had discretion as to whether to engage Internal Audit to provide those assurances. It was confirmed to the committee that all non LEA schools and LEA schools have been contacted by Internal Audit (by letter) to offer this support, but that uptake had been limited. Members were concerned as to the lack of comprehensive audit coverage and asked that contact be made with other near neighbour and core cities authorities to understand whether similar concerns were held by those authorities and what, if any, steps they have taken.

Members also noted the further information in respect of procurement cards. Members noted that the numbers of cards issued were reducing in number and received assurances about the procedures in place to stop cards being misused.

RESOLVED – The Committee resolved to:

- (a) note the work undertaken by Internal Audit during the period covered by the report;
- (b) request that the Head of Internal Audit makes contact with other near neighbour and core cities authorities in respect of audit coverage provided to schools leaving the control of the LEA.

46 Annual Audit Plan

The Principal Finance Manager (Financial Management) presented a report of the Director of Resources. The report presented the Committee with the Annual Audit Plan for the 2012/13 Accounts and the Value for Money conclusion.

Heather Garrett , representing KPMG, was in attendance to answer Member questions.

The principal concern of Members related to the disclosure in the audit plan that some of the audit work necessary to deliver the plan may be completed outside of the UK, in India.

Members sought assurances in respect of:

- The security of the Council's data being audited in India;
- The details of tasks undertaken by staff in the India office and what qualifications they had;

- Whether previous years' work had been completed by staff based in India.

Ms Garrett confirmed that data worked on in India was accessible only by accessing servers based in the UK, and that it was not possible to further copy or otherwise save that data. The data being analysed overseas was described by Ms Garrett as basic checking of the Council's already published accounts. Ms Garrett also confirmed that some of the previous years' audit work had been completed by the India office.

Members were disappointed that opportunities to work with the authority, particularly to seek to secure work experience for local young people had not been explored, Members highlighting that it was a priority of the Council to help find work for people in Leeds specifically younger people who were looking to gain work experience. The Committee requested KPMG further explore providing training and graduate opportunities to people in Leeds and the Leeds City Region. KPMG did highlight that they had offices in Leeds and a substantial trainee accountant recruitment programme.

Members question why the Audit Plan no longer included Public Health Ms Garrett confirmed that this work had been completed and provided assurance in respect of the council's arrangements for the transfer of public health functions to the authority. As no report had been provided to the committee on this matter by KPMG, Members requested details of the conclusions that had been reached.

RESOLVED – The Committee resolved to:

- (a) Agree the nature and scope of the external audit plan;
- (b) ask that KPMG;
 - a. explore, and report back to the committee, on the opportunities available for local training and graduate employment opportunities for local people in Leeds and the Leeds City Region in respect of how the audit plan is carried out, and
 - b. provide details of the conclusions reached in respect of the arrangements to transfer public health functions from the NHS to the Council.

47 Annual Audit Fee 2012/13

The Principal Financial Manager presented a report of the Director of Resources. The report informed Members of the costs of external audit work relating to the 2012/13 year.

RESOLVED – The Committee resolved to note the external audit fees for work relating to the 2012/13 financial year.

48 KPMG Certification of Grants and Returns 2011/12

The Principal Financial Manager presented a report of the Director of Resources. The report informed the Committee on the result of the work KPMG have carried out on the Certification of grant claims in respect of 2011/12.

RESOLVED – The Committee resolved to note the results of the 2011/12 audit of grants and returns.

49 School Academy and Trust Conversions

The Senior Surveyor (City Development) presented a report of the Asset Management Service. The report provided details of the due diligence processes undertaken for the conversion of schools to academies or trusts, particularly around governance, insurance and financial management.

The Chair commented that this report specifically related to schools converting to academies and trusts and that a report looking into other Council transfers of assets would be brought at a later date.

Members discussed the number of schools that are now academies and the process of the LEA handing over its assets. Members considered the value of assets that have been transferred to trusts and academies and raised concern about the management of both buildings and finances at the new trusts and academies.

Members considered the situation where schools were encumbered by debt and who would be responsible for servicing this. It was confirmed to the Committee that the Council maintains responsibility for all debt in relation to schools converting to trusts or academies. Such schools do however continue to contribute towards PFI contractual arrangements.

RESOLVED – The Committee resolved to:

- (a) Request that a report be brought to the Committee looking at the wider issues relating to transfers of assets across the Council; and
- (b) Note the contents of the report.

50 Transforming Procurement Update

The Senior Executive Officer presented a report of the Chief Officer PPPU and Procurement. The report informed the Committee of progress with respect to the Transforming Procurement Programme and invited comments on the contents of the report.

Members considered the report and questioned the officer present about contract procedure rules. It was confirmed to the Committee that the contract procedure rules had not been re-written yet as it was considered important to

get the procurement strategy in place before it was done. It was confirmed though that amendment to the rules would be necessary in due course, not least to reflect the new procurement methodology being advocated.

Members noted the importance of ensuring that small local businesses were given the opportunity and support to enable them to tender for Council contracts. Members were informed about the on-going work to ensure that small and medium sized enterprises get opportunities to bid for Council contracts.

The savings made over the last year by central procurement were welcomed by the Committee. However it was felt that there was scope to save even greater sums in the future and that more ambitious savings targets should be set.

Members identified a potential area for savings to be made where contract procedure rules are waived and which allow contracts to roll on without going out to tender again. Members were informed that a procurement calendar was being put in place to ensure that when contracts are due to expire they are reviewed and where savings could be achieved, re-tendered.

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

(Councillor R Wood left the meeting at 11.35am during discussion of this item)

51 Licensing Decision Making Framework

The Head of Licensing and Registration presented a report which detailed the decision making framework for licensing decisions.

Also in attendance to answer Members' questions was the Section Head (Entertainment Licensing) and the Section Head (Taxi and Private Hire Licensing).

Members asked questions about how often taxi drivers are checked by the DBS (previously known as the CRB) and the process to undertake this. The Committee were informed that a check is currently done on first application, and the Licensing Committee were currently considering proposals to introduce a more regular check for existing drivers. The police are also required to inform the Taxi and Private Hire Licensing Section if a licensed hackney carriage or private hire driver commits an offence which may require their suitability to hold a licence to be reviewed. The committee were currently awaiting further details of a new online facility being introduced by the DBS this year which could allow the authority to check drivers details online for a reduced fee and at more frequent intervals. A decision is expected later this year after details of the new online facility provided by the DBS are known.

Trade in scrap metal was raised as an issue of concern by the Committee, who were informed that scrap metal traders are required to be registered with the Council before they can trade.

RESOLVED – The Committee resolved to note the assurances provided in the report.

52 Work Programme

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

The Committee reviewed its forthcoming work programme.

Members requested that a report be submitted to the Committee looking at the processes and risks relating to the re-organisation of ALMOS.

Also requested was information on contingency plans that are in place when a building is forced to shut on an emergency basis.

RESOLVED – The Committee resolved to:

- (a) note the forthcoming reports;
- (b) receive a report detailing the processes and risks relating to the re-organisation of ALMOS; and
- (c) request that information relating to the contingency plans that are in place when a building is forced to shut on an emergency basis be reported as part of the forthcoming business continuity report due to be submitted to the April meeting of the Committee.