



# **Annual Report to Full Council**

## **Corporate Governance and Audit Committee**

**2020/21**

# Annual Report of the Corporate Governance and Audit Committee 2020/21

## Foreword by Councillor Andrew Scopes - Chair

I am delighted to introduce the annual report of Corporate Governance and Audit Committee, summarising the contribution we have made during the Municipal Year to the achievement of good governance and internal control within the Council.

All Members of the committee bring an independent and open mind to business of the committee and I thank them for the contributions they have made. The Committee has provided robust challenge and meaningful review of the Council's arrangements for risk, governance and audit.

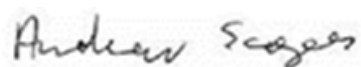
We have:

- Overseen the production of the Annual Governance Statement;
- Reviewed and approved the Council's statutory accounts;
- Received regular updates and formal reports from the Council's External Auditor;
- Ensured that assurance reports have been reviewed in detail on the key aspects of the Council's internal control arrangements, including democratic oversight, providing robust challenge to our arrangements and monitoring for areas in need of improvement; and
- Provided oversight to the Council's internal audit function, receiving regular updates on progress against the internal audit plan, including follow up in relation to limited assurance reviews.

The Committee continues to work hard with officers to understand and strengthen governance arrangements across the Council, and to ensure that risks are escalated appropriately. In addition, we provide robust challenge, for example in our work in relation to enforcement of planning control on council owned land.

During the year we have introduced a new approach to officer reporting, allowing the committee to focus on ensuring governance arrangements are robust, and that there is appropriate democratic oversight. In the new municipal year we will build on this: we will use best practice to carry out a self-review of the work of the Committee, enabling an even stronger contribution as we provide proactive challenge and support to our governance and risk arrangements looking forward, in addition to the established programme of review.

In addition to the work undertaken through our formal meeting cycle, a cross party panel of Members, drawn from the Committee, have undertaken the recruitment and selection of a non-voting independent member for the committee. I have pleasure in taking this opportunity to welcome Linda Wild to the committee as independent member.



Chair Corporate Governance and Audit Committee

## 1. INTRODUCTION

This annual report to full council demonstrates the importance the Council places on the authority's governance arrangements. The report on the work of the Council's Corporate Governance and Audit Committee demonstrates:

- How the Corporate Governance and Audit Committee has fulfilled its terms of reference;
- The extent to which arrangements comply with national guidance relating to audit committees;
- How the Corporate Governance and Audit Committee has contributed to strengthening risk management, internal control and governance arrangements.

Good governance is ultimately responsibility of Full Council as the governing body of Leeds City Council. This report provides additional assurance and underpins the Annual Governance Statement, which is approved by the committee, and is provided to all Members.

## 2. COMMITTEE INFORMATION

### Role of Corporate Governance and Audit Committee

The audit committee is appointed by Council to support the discharge of its functions in relation to good governance by providing a high-level focus on audit, assurance and reporting.

The Chartered Institute for Public Finance and Accountancy (CIPFA) defines the purpose of an audit committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
2. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

*Audit Committees – Practical Guidance for Local Authorities and Police (2018)*

The Terms of Reference for the Corporate Governance and Audit Committee are reviewed regularly against current regulations, CIPFA guidance for audit committees and best practice in comparable authorities.

The core functions of the committee, reflected in its Terms of Reference, are to:

- Consider the Council's arrangements relating to the Accounts;
- Consider the Council's arrangements relating to external audit requirements;
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance;
- Review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management);
- Consider the Council's arrangements relating to internal audit requirements.

## **Membership**

There are nine elected members appointed to the committee:

- Councillor Andrew Scopes (Chair)
- Councillor Jonathan Bentley
- Councillor Ben Garner
- Councillor Pauleen Grahame
- Councillor Peter Harrant
- Councillor Mark Harrison
- Councillor John Illingworth
- Councillor Jonathon Taylor
- Councillor Paul Truswell.

### **The recruitment of a non-voting co-opted independent member on the committee.**

As a Council appointed Committee, Corporate Governance and Audit Committee is appointed in accordance with the requirements for proportionality but strives for political neutrality. Following self-assessment against CIPFA's "Audit Committees - Practical Guidance for Audit Local Authorities and Police" (2018) the Committee sought Council's approval for the appointment of a non-voting independent member of the committee. A cross party panel drawn from the Committee's membership has undertaken a recruitment and selection process, and in February 2021 recommended Linda Wild for appointment to the role. The Committee is pleased to welcome her as an Independent Member, bringing with her a wealth of knowledge and experience that will prove invaluable to further enhance the independence of the committee as it carries out its functions.

### **Knowledge and Skills Framework**

Members bring with them a range of knowledge and skills from their working life and elected representative roles to the work of the committee.

The committee's skills and knowledge will be further complemented by those of the Independent Member, who in turn will receive a full induction to the role to enable them to apply their knowledge, skills and experience in the Leeds City Council setting.

Briefings are provided to the Committee in order to ensure that they remain up to date and informed to enable fulfilment of the committee's role. In particular, as in previous years, the Chief Finance Officer provided training to the committee in preparation for their examination of the Accounts. The committee has invited the Head of Audit to facilitate a workshop in relation to anti-fraud which members are looking forward to undertaking in the upcoming year.

The External Auditor routinely provides briefing notes providing sector updates and will be presenting more in-depth briefings in relation to the Redmond Review of local authority financial reporting and external audit, and the new National Audit Office Code of Audit Practice.

## **Audit Committee Meetings**

The committee has met on seven occasions during the year with meeting dates structured around the regular receipt of annual assurance reports, external and internal audit reporting cycles and the statutory requirements around the production of the Accounts and Annual Governance Statement.

This frequency of meetings ensures the committee can fulfil its responsibilities in an efficient and effective way and has been benchmarked<sup>1</sup> against the CIPFA<sup>2</sup> recommended practice and arrangements in other local authorities.

In response to the introduction of remote meetings, and to facilitate the committee's full and robust consideration of the assurances presented, the committee received a number of reports in informal working group meetings prior to each formal public meeting. Items considered at the working group in this way were the subject of detailed notes published within the public agenda pack, ensuring the transparency of the committee's work.

The committee is supported by a number of officers who attend regularly and bring expertise in relation to corporate governance, internal audit, finance, and information governance. The Committee looks forward to additional support from officers with expertise in relation to legal compliance, business continuity and risk in the coming year.

## **3. COMMITTEE BUSINESS**

The work undertaken by the Committee to support their approval of the Annual Governance Statement and Accounts, and in furtherance of the core functions of audit committees identified by CIPFA, is summarised in this section. (A complete list of the reports considered by the committee can be found in **Appendix A.**)

### **The Accounts**

Council has delegated to the committee the authority to approve the Council's Annual Governance Statement and the audited Statement of Accounts on behalf of the Council.

Items relating to the Annual Governance Statement and Statement of Accounts were subject to new timescales this year under legislation implemented in response to the Coronavirus Pandemic. In addition, the external audit of accounts was delayed, in part as a result of the impact of requirements for social distancing and home working on the sector.

The Committee considered the interim Annual Governance Statement in July 2020 following its publication for the formal period of public consultation. The Committee went on to approve the Council's Annual Governance Statement for 2019/20 in November 2020, following receipt of the Head of Audit's Opinion. The Committee has noted that officers are tracking the Council's progress against the key actions set out in the Annual Governance Statement and is receiving verbal updates to confirm progress.

The Committee considered the draft Statement of Accounts in July 2020 following public deposit. Further consideration followed in November 2020, and the Audited Statement of Accounts was approved and signed, together with the management representation letter, in February 2021. During consideration of the accounts the committee has engaged with officers on a number of aspects including pensions, long term debtors and the Merrion House lease.

### **External Audit**

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<sup>1</sup> Benchmarking took place during the 2018/19 municipal year.

<sup>2</sup> The Chartered Institute of Public Finance and Accountancy

The committee plays a significant role in overseeing the Council's relationship with its external auditors, Grant Thornton, and takes an active role in reviewing the external audit plan, progress reports and annual audit letter.

During the year, the committee has received regular reports setting out progress against the external audit plan, culminating in receipt of the final audit report and annual audit letter. Following criticism of a number of firms in the external audit sector by the Financial Reporting Council, the committee sought and received assurance as to the quality and control environment in which the Leeds City Council audit was undertaken.

Due to the shift in timetable for review and approval of the 2019/20 accounts, the Committee has yet to receive the external audit plan for the 2020/21 accounts. It is anticipated that this will be formally received at the first meeting of the new municipal year.

The committee looks forward to continuing to work with the external auditors; considering the responses of management to audit recommendations and ensuring that appropriate actions are agreed and implemented.

## **Internal Control**

The committee has responsibility for monitoring the effectiveness of the Council's system of control, management of corporate risks and governance arrangements.

Through robust consideration of annual assurance reports in relation to a wide range of internal controls the committee has obtained assurance that relevant systems and processes are documented and defined; clearly communicated; effectively embedded; meaningfully monitored; and reviewed and refined. The Committee has particularly sought assurance that arrangements have remained fit for purpose throughout the period of the pandemic, or that appropriate changes have been made to ensure efficient and effective governance.

Following consideration of the assurance report in relation to planning decision making and enforcement arrangements, the committee have requested the Chief Planning Officer to draft a protocol for enforcement of breaches of planning control on Council land, and will seek the support of the Chief Executive in ensuring that departments comply with the new protocol.

In addition to the receipt of regular update, and routine assurance reports, the committee seeks assurance in relation to significant matters relating to governance, audit and risk.

In the light of the emerging financial situation early this year the Committee requested and received a report giving assurance that appropriate procedures are in place for the agreement of an emergency budget and section 114 notice should either be required.

The committee has continued to follow up and receive assurance around the Council Public Service Network (PSN) compliance including the Council's Access project. As a result of this work, the committee requested and received a report setting out assurance concerning the international transfer of personal data following the UK's exit from the EU.

At the request of Executive Board, the Committee received in February a report in relation to the governance arrangements for devolution to the new Mayoral Combined Authority for West Yorkshire. The Committee recommended that General Purposes Committee be invited to consider amendments to the Constitution to enable meaningful opportunity to hold the elected Mayor of the Combined Authority to account. It was considered that this should include opportunity for Members to invite and consider a report from the Mayor prior to an invitation to the Mayor to attend Council.

## **Internal Audit**

The committee has received and considered regular reports from the Head of Audit throughout municipal year providing updates on progress against the 2020/21 Internal Audit Plan, together with information relating to the wider work of the Internal Audit section.

In light of the implications of the pandemic, the committee approved amendments to the internal audit plan for the 2020/21 year to ensure that internal audit resource was focussed appropriately on areas of greatest risk, whilst enabling the development of the Head of Audit's formal audit opinion.

The Committee are advised of the outcomes of every internal audit review, with greater depth, and follow up reviews, provided in relation to reviews resulting in limited assurance. During the course of the 2020/21 municipal year the committee has received information and sought assurance relating to controls to ensure implementation of IR35 legislation, where audit recommendations have been raised to create a mandatory training package for use in directorates to support compliance with controls. Similarly, the Committee has considered reviews in relation to Deprivation of Liberty Safeguards, and anticipates a further follow up review to provide assurance that actions identified in previous reviews have been actioned.

Following discussion of a review in relation to operational readiness of the Flood Alleviation Scheme, it was agreed that the review report would be shared with the Scrutiny Board (Infrastructure, Investment & Inclusion Growth), supporting the Board's responsibility in relation to flood risk management.

In addition to individual audits, the committee were also kept informed of fraud related, work in particular noting and commenting on the work undertaken relating to right to buy sales. The Committee looks forward to receiving focussed bi-annual update reports in relation to anti-fraud and corruption controls in the coming year.

The Committee has been advised of the work undertaken by Internal Audit to support the Council's Covid-19 response, for example, providing assurance that arrangements in relation to grant funding are robust and secure as well as supporting relevant due diligence work. Similarly, the Committee has been advised of Internal Audit work supporting the core business transformation project, providing expertise in data analytics in addition to challenge and advice in relation to relevant systems and processes. Their reporting provides the Committee with helpful context on the wider assurance on which the Head of Audit is able to draw in reaching the Audit Opinion.

In November 2020, the Committee received and considered the Internal Audit Annual Report and noted a satisfactory overall opinion for 2019/20. The committee was satisfied that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

The committee reviewed and agreed the annual risk based audit plan for the 2021/22 year in March 2021.

## **4. LOOKING FORWARD**

The committee has approved the work programme for the 2021/22 municipal year setting out the receipt of regular update reports and annual assurance reports. This work programme will be the subject of regular review and the committee will remain flexible in its approach to accommodate additional items within its remit as they emerge.

Through the continuing receipt of regular reports Corporate Governance and Audit Committee will provide the usual level of robust challenge to corporate governance and

audit practice and procedure across the authority to ensure that our arrangements are up to date and fit for purpose, communicated, embedded and routinely complied with. In addition, the committee will request and consider reports in relation to relevant matters which come to our attention during the course of the year.

In response to questions raised during the year, the Committee plans to begin a piece of work to understand and champion the governance arrangements supporting the achievement of ambitions in relation to the Climate Emergency.

The committee plans to undertake a self-review based in best practice set out in CIPFA guidance and identified through a review of comparable authorities, with a view to ensuring the continuing robust assessment of the Council's systems and processes of internal control; whilst developing forward looking challenge to governance arrangements to gain assurance as to the effective identification, management and mitigation of risk.



<b>CORPORATE GOVERNANCE AND AUDIT COMMITTEE ACTIVITY – 2020/21</b>	<b>June 2020</b>	<b>July 2020</b>	<b>Sept 2020</b>	<b>Nov 2020</b>	<b>Dec 2020</b>	<b>Feb 2021</b>	<b>Mar 2021</b>
<b>Annual Reports</b>							
Annual Decision Making assurance report							
Annual Procurement Assurance Report							
Annual assurance report on employment policies and procedures and employee conduct							
Statement of accounts		Draft					
Annual governance statement		interim					
Annual assurance report on corporate risk management arrangements							
Annual Assurance Report on Planning Decision Making and Enforcement Arrangements							
Internal Audit annual report and opinion							
Annual Business Continuity Report							
Annual assurance report on corporate performance management arrangements							
Approval of the Audited Statement of Accounts and Grant Thornton Audit Report							
Annual Assurance Report on Arrangements in Relation To Customer Contact and Satisfaction							
External audit – certification of housing benefit grant claims							
Internal audit plan							
Annual financial management assurance report (incorporating capital)							
Annual treasury management assurance report							
Information governance annual assurance report							
Draft annual report of the committee							
Annual Audit Letter and External audit plan (planned June 2021)							

<b>CORPORATE GOVERNANCE AND AUDIT COMMITTEE ACTIVITY – 2020/21</b>	<b>June 2020</b>	<b>July 2020</b>	<b>Sept 2020</b>	<b>Nov 2020</b>	<b>Dec 2020</b>	<b>Feb 2021</b>	<b>Mar 2021</b>
<b>Regular Reports</b>							
Internal Audit Update Report							
External audit progress report and sector update	Changes to the plan						
Work Programme							2021/22 year
<b>Additional reports received in accordance with terms of reference</b>							
Applications Portfolio Programme – update on access project							
Compliance with the Governance Requirements Associated with Setting an Emergency Budget and Issuing a Section 114 Report							
Leeds City Council Readiness for PSN Submission							
Governance Arrangements for Devolution							
International Transfers Following the UK's Exit from the European Union.							
Assurance Report on Digital Information Systems Controls							