

## **Corporate Governance and Audit Committee**

**Tuesday, 25th June, 2019**

**PRESENT:** Councillor A Scopes in the Chair

Councillors P Harrand, J Illingworth,  
P Grahame, M Harrison, J Taylor,  
P Truswell and B Garner

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

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

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

There were no items identified where it was considered necessary to exclude the press or public from the meeting due to the confidential nature of the business to be considered.

### **3 Late Items**

There were no late items of business identified.

### **4 Declaration of Disclosable Pecuniary and Other Interests'**

There were no declarations of disclosable pecuniary interest made at the meeting.

### **5 Apologies for Absence**

There were no apologies for absence.

### **6 Minutes of the Previous Meeting**

**RESOLVED** – That the minutes of the previous meeting held on 22<sup>nd</sup> March 2019 were accepted as a true and correct record.

### **7 Matters Arising from the Minutes**

The Head of Governance and Scrutiny Support reported that information requested by the Committee had been circulated to Members following the meeting in March 2019:

**Minute No.70** – Referral to Scrutiny Board (Environment, Housing and Communities) of differential call times – The position of call answering times had been presented to Scrutiny Board in a recent the performance report

and offer made Executive Member to bring an action plan back to the Board for consideration.

**Minute No.71** – Resolution (ii) – It was confirmed that further details of Leeds Bradford Airport planning had been provide to all Members.

**Minute No.73** - Resolution (iii) – The Director of Resources and Housing had confirmed that the issue had been raised at CLT, guidance and training had also been issued to staff concerning Members' Need to Know. Resolution (vi) further consideration is being given to this through Member Management Committee with a view to and relaunch the training in September.

**Minute No.75** – Reference to the new Procurement Strategy – Members noted that the July 2019 meeting of the Executive Board was to consider the new strategy.

**Minute No.76** – The Head of Governance and Scrutiny Support confirmed that the appropriate director had been informed of the views expressed by Members.

**Minute No.82** – It was confirmed that General Purposes Committee had recommended to the Annual Meeting that an Independent Co-opted Member be appointed to the Committee. Recruitment is likely to commence in the early Autumn, with representation from Corporate Governance and Audit Committee being involved in the recruitment process.

## **8 Annual Decision Making Assurance Report**

The City Solicitor submitted a report which presented the Annual Decision Making Assurance Report.

The report provided assurances to the Committee that the systems and processes that form part of the council's decision making framework were fit for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.

Officers representing the Head of Governance Services & Scrutiny Support, the Chief Planning Officer, The Head of Service (Legal) and the Chief Officer, Elections and Regulatory were in attendance to answer Members questions and queries.

Referring to Decision Monitoring, Members queried how a significant impact on one or more wards was identified

Members were informed that the significant impact would be on a significant proportion of people in the area and would be more likely if there was a disproportionate impact on a specific group or the community in the area.

Reference was made to the List of Forthcoming Key Decisions, noting that officers had reviewed and amended the form by which officers request the addition of an issue to the list of forthcoming key decisions. Members requested if a copy of the revised form could be made available to Members.

Members were informed the requested document would be made available to Committee Members

Members noted that in terms of significant operational decisions and key decisions, City Development had seen an increase in both these areas in the last 12 months and queried if there was any particular reasons for the increase.

In responding, officers suggested further analysis was required and Members would be notified separately.

In relation to RIPA, the Head of Service (Legal) confirmed that no use of the RIPA powers had taken place over the past 12 months

There were no issues raised under Licensing Matters

Referring to Planning matters, Members noted there had been a slight reduction in the service's performance in relation to applications being determined in time or within agreed timescales. Members queried if there were any underlying issues to account for the dip in performance.

Members were informed that currently Planning Services were having resourcing difficulties, including being involved with a number of Public Inquiries which were resource intensive.

Members undertook to seek further assurances from the Chief Planning Officer in respect of the arrangements in place for Members to refer planning applications to Plans Panels for determination and the Governance arrangements for enforcement proceedings

The Chair thanked officers for their attendance and contributions.

## **RESOLVED –**

- (i) To note the assurance provided in the submitted report by the Head of Governance and Scrutiny Support, the Chief Planning Officer, the Head of Service (Legal) and the Head of Elections, Licensing and Registration that the decision making framework in place within Leeds City Council was fit for purpose, up to date, were routinely complied with and had been effectively communicated and monitored.
- (ii) That the recently revised form by which officers request the addition of an issue to the list of forthcoming key decisions be circulated to Committee Members for information

- (iii) To circulate to Members an analysis as to why City Development had seen an increase in the number of; significant operational decisions and key decisions, in the last 12 months
- (iv) That the Chief Planning Officer be requested to provide further assurance around the arrangements in place for Members to refer planning applications to Plans Panels for determination and the Governance arrangements for enforcement proceedings

## **9 Role of the Caldicott Guardian**

The Director of Adults and Health submitted a report which set out details of the role of the Caldicott Guardian and the organisational measures and assurances in place to support this role.

The Deputy Director Social Work & Social Care Service addressed the report speaking in detail as to how and why the role of the Calicott Guardian was established and the oversight it provides for the use and sharing of confidential patient information.

Members queried whether peer reviews and joined up working took place with other organisations in the City with Caldicott responsibilities.

Members queried if other organisations shared the same processes and bench marking arrangements as sharing such information may add value to our own processes.

The Chair suggested that it may be appropriate to receive an update at a future meeting and that this considers the steps taken to undertake benchmarking of Caldicott arrangements with other organisations

Members were supportive of the Chair's suggestion.

### **RESOLVED –**

- (i) To accept this report as an addendum to the Annual Information Governance report
- (ii) To receive an update at a future meeting, setting out the steps taken to undertake benchmarking
- (iii) And that the next Annual Information Governance Assurance report, reports in detail on Caldicott Guardian arrangements

## **10 Applications Portfolio Programme - Update on Access Project**

The Director of Resources and Housing submitted a report which provided an update on the current position on Access databases and compliance to PSN.

Members were informed that discussions had taken place with the Cabinet Office who had confirmed that;

“They were satisfied with the projects, provisions and positive focus from Leeds City Council, in responding to and tackling vulnerabilities which have a significant impact on the LCC network (and potentially) critical business processes. The solutions and remediation schedules for the highlighted vulnerabilities discussed were in principle acceptable, however, strong compensating controls and mitigation will need to be aligned to these and any other highlighted vulnerabilities as remediation projects and plans are in flight to address them”.

Members requested if the full text of the letter from the Cabinet Office could be circulated to all Members of the Committee.

Officers confirmed that the letter would be circulated to all Members of the Committee

It was reported that since the previous report in March, investigations had found that four of the previously ‘unknown’ Access databases were owned by West Yorkshire Joint Services. Members were informed that the project team were working with West Yorkshire Joint Services to assist in the replacement of these four databases.

Referring to section 3.7 of the submitted report, it was noted that only 1 database remained categorised as “unknown”. Members were informed that the intention now was to de-activate the system in order to see who comes forward to claim it.

The Chair thanked officers for their attendance, commenting that progress was been made.

#### **RESOLVED –**

- (i) That the contents of the report be noted
- (ii) To be assured that considerable effort is being undertaken to rectify the current situation with regards to the Council’s approach to maintaining PSN compliance and where progress has been made
- (iii) That a further update be provided in November 2019
- (iv) That the Cabinet Office letter, be circulated to all Members of the Committee

#### **11 Annual Assurance Report on Employment Policies and Procedures and Employee Conduct.**

The Chief Officer Human Resources submitted a report which presented the Annual Assurance Report on Employment Policies and Procedures and Employee conduct.

The report sought to provide assurance that:

- The requirements of employee conduct were established and regularly reviewed
- The requirements relating to employee conduct were communicated and feedback was collected on whether expected behaviours were being demonstrated
- Employee conduct was monitored and reported.

Members discussed the issue of gifts and hospitality noting that no concerns were identified in the last annual review and there had been no referrals in 2018/19 to the HR casework team for any breach of the gifts and hospitality policy. Members also noted that in 2019 a benchmarking exercise on the gifts and hospitality policy was undertaken with the core cities which confirmed that the arrangements in place were broadly similar to other local authorities.

It was reported that Internal Audit will be reviewing the Register of Interests and Gifts and Hospitality processes within the 2019/20 Audit Plan

Officers from Grant Thornton (The Council's External Auditors) suggested that gifts and hospitality was a particular area of scrutiny for other public sector organisations, who often required a nil declaration process.

The Chair suggested that it would be appropriate to seek a change to the Council's arrangements for declaring gifts and hospitality, particularly Directors' acceptance of offers of gifts and hospitality be reviewed to ensure there is third party oversight of offers prior to these being accepted and; that a process be introduced whereby the annual review of gifts and hospitality requires 'nil returns' to be submitted.

Members were supportive of the proposal and requested that the Chair write to the Chief Executive to seek his support to the proposed changes.

#### **RESOLVED –**

- (i) To note the positive assurance provided in section 5 of the submitted report that the requirements of employee conduct were established and regularly reviewed
- (ii) That the requirements relating to employee conduct were communicated and feedback was collected on whether expected behaviours were being demonstrated
- (iii) That employee conduct was monitored and reported.

- (iv) That the Chair, on behalf of the Committee write's to the Chief Executive to seek his support in recommending: that arrangements for Directors' acceptance of offers of gifts and hospitality be reviewed to ensure there is third party oversight of offers prior to these being accepted and; that a process be introduced whereby the annual review of gifts and hospitality requires 'nil returns' to be submitted.

## **12 Grant Thornton Audit Progress Report**

The Chief Finance Officer submitted a report which provided the outcome of Grant Thornton's IT audit and of progress in delivering their overall audit of the Council's accounts and value for money arrangements.

The Chair welcomed Gareth Mills, Engagement Lead (Grant Thornton) to the meeting.

Members were informed that Grant Thornton's audit had two key objectives, to give an opinion on the council's financial statements (including confirming whether the annual governance statement was consistent with their understanding), and to review and report on the council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

It was reported that specialist IT auditors had carried out a review of the council's key financial systems, the outcome of this work is presented in the submitted report. Grant Thornton had made one recommendation, relating to generic user accounts on the Academy Housing Benefits system. This had been assessed as a lower level risk which could give rise to inconsequential misstatements. It was understood that whilst the generic accounts are deactivated on the live system, there remains a risk that they could be wrongly activated and misused. Managers for the service had therefore responded that they would reduce the number of such accounts and introduce a monitoring system to confirm that the remaining generic accounts had not been activated.

Referring to paragraph 3.3 of the submitted report, Members queried whether the recommendation relating to journals arose from specific consideration of the Council's approach to this which Grant Thornton consider is not sufficiently robust or alternatively, whether the recommendation is one made generically by Grant Thornton to its Local Authority clients.

Members were informed that journals were low risk for local authorities, and that the controls already in place had been subject to a risk assessment and were judged to be satisfactory in the view of the Finance team. Financial Management would be undertaking a risk assessment of the financial system and that this will be reviewed by Internal Audit once it is complete.

Members queried with Grant Thornton if they were satisfied with the Council's response.

Members were informed that Grant Thornton were satisfied with the Council's response, but their recommendation remained in place and was not withdrawn, it was suggested that the situation may be reviewed at the next audit.

Members suggested that although there was no financial loss associated with journals, an incorrect position could be reported.

It was suggested by Grant Thornton that Public Sector journals could be manipulated to provide financial outcomes, but it was emphasised that there was little scope for individuals to gain financially from this, and Leeds City Council had appropriate mechanisms and controls in place.

It was suggested that Internal Audit's review of the FMS risk assessment should particularly look at the compensating controls in place in respect of journals.

**RESOLVED** – To receive and note the audit progress report presented by Grant Thornton

### **13 Publication of Draft Statement of Accounts 2018/19**

The Chief Finance Officer submitted a report which presented the draft unaudited 2018/19 Statement of Accounts which are currently available on the Council's website for public inspection. The Statement of Accounts are also included with the agenda as a separate document and the Draft Annual Governance Statement (required to be published at the same time as the draft Accounts).

Members noted the following main financial issues raised by the 2018/19 unaudited accounts:

- The final outturn position for the year was a £2.3m contribution to the General Fund Reserve, which represented a £3.0m underspend in comparison to the figure budgeted for.
- The Housing Revenue Account outturn position was a £2.2m usage of revenue reserves, which was represented a £1.1m lower use of reserves than was budgeted for.
- The council's net worth has decreased by £244.5m and stands at £1,414m. The most significant factor in this reduction was an increase in the net pensions liability of £214m, largely as a result of changes in the actuarial assumptions affecting the current value of the liabilities.

- Net borrowing for capital and treasury management purposes has increased during the year by £84m, in comparison to an increase of £132m in the capital financing requirement, and the value of fixed assets rose by £59m.
- The council's level of usable reserves has increased by £32m to £312m during the year. The majority of this increase relates to ring-fenced reserves (usable capital reserves have increased by £18.6m and ring-fenced revenue reserves by £4.5m), however there has been an increase of £7.3m in non-ring-fenced revenue reserves.
- The Principal Financial Manager said that in June and July last year a series of Briefing Sessions on the Statement of Accounts for 2018/19 were provided to Members, were Members requiring similar arrangements to those provided last year.
- The Committee were supportive of the suggestion and requested that the necessary arrangements be made.

#### **RESOLVED –**

- (i) To note the 2018/19 unaudited Statement of Accounts as certified by the Responsible Financial Officer, prior to their release for public inspection
- (ii) That arrangements be made for a Briefing Session on the accounts in advance of the meeting on 26<sup>th</sup> July 2019.

#### **14 Internal Audit Update Report March to May 2019**

The Chief Finance Officer submitted a report which provided a summary of the Internal Audit activity for the period March to May 2019 and to highlight any significant failings or weaknesses.

Members were made aware of a fraudulent request for a change to a creditor's bank details that resulted in a payment being diverted to a fraudulent bank account (Paragraph 3.2.12 of the submitted report). It was reported that a check had not been carried out in accordance with the procedure in place. The matter has been reported to the police and, since that time, the importance of maintaining vigilance has been reinforced and an additional independent verification check has been added within the system.

Members queried how the incidence of fraud had come to light.

Members were informed that a creditor who had not received payment had alerted finance officers.

It was reported that during the period 1<sup>st</sup> March to 31<sup>st</sup> May 2019, 12 completed Customer Satisfaction Questionnaires had been received, Members queried how many questionnaires had been issued.

Members were informed that the number of Customer Satisfaction Questionnaires issued and returned would be provided at the next meeting in July.

Members queried if enough dedicated resources were available for internal audit investigations.

In offering comment, the Council's External Auditors (Grant Thornton) said many public sector organisations often reduce their internal audit resource but more investigation was focused on the key high risk areas.

**RESOLVED –**

- (i) To receive the Internal Audit Update Report covering the period from March to May 2019 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) That details of the number of Customer Satisfaction Questionnaires issued and returned be provided at the next meeting in July.

**15 Interim Annual Governance Statement**

The City Solicitor submitted a report which presented a copy of the Interim Annual Governance Statement for comment. Members were informed that the Authority was under a duty to release an Interim Annual Governance Statement to accompany the Accounts when they are placed on deposit. The Interim document had been signed by both the Council's Section 151 Officer and Monitoring Officer and was available for Member comment and consideration.

Members were informed that the Interim Statement would require further updating in light of assurances received by Committee at this meeting and would also need to reflect relevant matters considered by the Executive Board and others in the period prior Committee approving the final document in July.

**RESOLVED –** That the interim Annual Governance Statement be received, noting that the final document would be brought back to the next meeting in July for final approval

## **16 Work Programme 2019/20**

The Head of Governance and Scrutiny Support presented a report of the City Solicitor which set out the ongoing Work Programme for 2019.

One Member suggested that further consideration was required around technical procurement/ single tender waivers process. It was agreed that further discussion on this issue would be discussed with the Chair and reported back to Members in due course.

Following discussion at today's meeting it was agreed that the following items be added to the Work Programme:

- Applications Portfolio Programme - Update on Access Project (November 2019)

**RESOLVED** – That, with the inclusion of the above, approval be given to the draft work programme as set out in the Appendix of the submitted report and indicative meeting dates for 2019/20

## **17 Date and Time of Next Meeting**

**RESOLVED** – To note that the next meeting will take place on Friday, 26<sup>th</sup> July 2019 at 10.00am in the Civic Hall, Leeds.