

Corporate Governance and Audit Committee

Friday, 26th July, 2019

PRESENT: Councillor A Scopes in the Chair
Councillors J Illingworth, J Taylor,
P Truswell, B Garner and J McKenna

18 Appeals Against Refusal of Inspection of Documents

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

19 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.

20 Late Items

Although there were no late items, the Chair did accept the inclusion of supplementary information in respect of Items: 10 (Annual Governance Statement) and 11 (Approval of the Audited Statement of Accounts and Grant Thornton Audit Report) in both instances, additional information was provided after the publication of the agenda, which required consideration by Members. (Minutes Nos: 27 & 28 referred)

21 Declaration of Disclosable Pecuniary and Other Interests'

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

22 Apologies for Absence

Apologies for absence were received from Councillors: J Bentley, P Grahame and P Harrand.

Councillor J McKenna was in attendance as a substitute Member for Councillor P Grahame.

(The Chair reported that an email had been received from Councillor J Bentley, who had reviewed the agenda and was satisfied with the reports proposed recommendations).

23 Minutes of the Previous Meeting

RESOLVED – That the minutes of the previous meeting held on 25th June 2019 were accepted as a true and correct record.

24 Matters Arising from the Minutes

The Head of Democratic Services reported the following by way of Matters Arising:

Minute No. 8 Resolution (ii) – the form for publication of an item to the List of Forthcoming Key Decisions had been circulated.

Minute 8 No. Resolution (iii) – a note from the Director of City Development setting out analysis and commentary on the increase in key decisions in the last financial year had been circulated.

Minute 9 No. Resolution (iii) – in respect of the Committee's line of approach which recommended that the Chief Officer undertakes a peer review of Caldicott Guardian arrangements in other organisations with similar responsibilities – Members were advised that this 'Key Action' was now incorporated in the AGS later on the agenda.

Further to Minute No. 11 Resolution (iv) – the Chair had written to the Chief Executive in relation to arrangements for oversight of directors acceptance of Gifts and Hospitality and ensuring that the annual review of gifts and hospitality requires a return from relevant staff (including a 'nil' return). The Chief Executive welcomed the Committee's consideration of this matters and had agreed to the recommendations. Correspondence had been circulated.

25 Annual Assurance Report on Corporate Risk Management Arrangements

The Director of Resources and Housing submitted a report which presented the Annual Assurance Report on the effectiveness of the Council's corporate risk management arrangements.

Members noted the work carried out since the previous assurance report in June 2018 and the work planned for 2019/20

Members noted the "4Risk" software used to administer Council's risk is to be replaced by an in-house Share Point based platform.

Referring to the Annual Corporate Risk Management Assurance report, Members questioned if any consideration had been given to encouraging Scrutiny Boards to provide oversight on relevant aspects to their respective remits within the Risk Management Annual Assurance report and the Directorate Risk Registers.

Members were informed that the Corporate Risk Management report was to be considered by Scrutiny Board (Strategy and Resources) in September.

Members were supportive of this approach but considered that Scrutiny Boards should be also provided with details of risks being managed at a departmental level, both to provide Members oversight of local (rather than just corporate) risk and provide for a potential source of Scrutiny work.

Members agreed that the Chair should write to all Scrutiny Board Chair's seeking their support in providing greater oversight in this way.

With reference to Section 3.2 of the submitted report "Partnership Risk Management", Members queried how risk was managed when the Council had entered into partnership with an external organisation.

Members were informed that the advisory note on risk management principles for partnerships was currently being reviewed. It was envisaged the revised advisory note would be finalised by the autumn.

The Chair requested that in applying the risk management principles to partnerships, Directors should be tasked with reviewing both existing partnership and future partnership arrangements to ensure potential risks are mitigated.

RESOLVED –

- (i) That the report on the council's corporate risk and performance arrangements be received and to note the assurances in support of the Annual Governance Statement
- (ii) That the Chair, on behalf of the Committee writes to all Scrutiny Board Chair's seeking their support in providing greater oversight of risk management within their own scrutiny remit.

26 Internal Audit Annual Report and Opinion 2018-19

The Chief Officer - Financial Services submitted a report which drew to the attention of the Committee the annual internal audit opinion and basis of the internal audit assurance for 2018/19.

The report provided a summary the work undertaken by Internal Audit during the year and delivered an overall conclusion; that on the basis of the audit work undertaken during the 2018/19 financial year, the internal control environment (including the key financial systems, risk and governance) was well established and operating effectively in practice.

The Head of Audit said a satisfactory overall opinion was provided for 2018/19, based on the audit work detailed within the submitted report. The work undertaken to support this opinion had been conducted in accordance

with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

Commenting on Internal Audit Performance Members queried if sufficient resources had been available to achieve delivery of the Internal Audit opinion.

The Head of Internal Audit confirmed that resources had been appropriate, sufficient and effectively deployed to achieve the necessary audit coverage.

Referring to Customer Satisfaction Questionnaires, Members queried how many questionnaires had been returned.

Members were informed that 39 questionnaires had been returned (a response rate of 38%), with an overall average score of 4.58 out of 5.

It was the view of Members that feedback, in the form of a questionnaire was an essential part of monitoring and that it would be desirable for the return rate to be increased.

It was agreed that the Chair writes to all Directors requesting that they ensure that all questionnaires are returned following individual audits in their areas of responsibility.

Referring to Procurement and Contracts, Members queried how the Social Value objectives of the new Procurement Strategy were to be delivered and in particular how they would be measured.

Members were informed that specific questions on Social Value were included in the Audit Plan 2019/20 but more information about the Council's approach to Social Value was required.

The Head of Democratic Services advised Members that the Annual Assurance report on Procurement Policy and Practices scheduled for later in the Municipal year would provide clarity to this issue, but it may be appropriate for Members to receive a brief report earlier to enable early input from the Committee to the way in which social value will be assessed and monitored.

Referring to the table of completed Audit Reviews, it was noted that Commercial Rents had an audit opinion of "Limited" Members queried what actions would arise on an opinion of limited.

Members were informed that an opinion of limited would trigger a follow up audit after a period of six months.

The Chair thanked Ms McDonald, the Head of Internal Audit for her attendance and contributions, he also announced that today's meeting would

be the final occasion Ms McDonald would be attending as the Head of Internal Audit.

In paying tribute the Chair praised Ms McDonald for her excellent, professional and diligent work that she had undertaken and that her advice to the Committee would be greatly missed.

Members joined the Chair in expressing their thanks and best wishes to Ms McDonald in her new role.

RESOLVED –

- (i) To receive the Annual Internal Audit Report and Opinion for 2018/19 and note the opinion given. In particular:

 - that on the basis of the audit work undertaken during the 2018/19 financial year, the internal control environment (including the key financial systems, risk and governance) was well established and operating effectively in practice
 - a satisfactory overall opinion was provided for 2018/19, based on the audit work detailed within the submitted report
 - that the work undertaken to support the opinion had been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing
- (ii) To note that there have been no limitations in scope and nothing had arisen to compromise the independence of Internal Audit during the reporting period.
- (iii) That the Chair be requested to write to all Directors asking that they ensure that all questionnaires are returned following individual audits in their areas of responsibility
- (iv) That a report be prepared for the November meeting of this Committee explaining the governance arrangements that are being/have been established to ensure that the Social Value objectives of the new Procurement Strategy are delivered.

27 Annual Governance Statement

The Head of Democratic Services submitted a report of the City Solicitor which sought approval of the Annual Governance Statement (AGS).

Members noted the document in its interim form was presented to Committee in June and had since been updated with assurances received by the Committee in June and July and now also reflects reports considered by the Executive Board together with a summary of the Council's

performance detailed in the Local Government and Social Care Ombudsman's annual letter circulated previously to all Members.

The AGS concludes that key systems are generally operating soundly and, where weaknesses have been identified, arrangements are in place to resolve them.

RESOLVED – That the Annual Governance Statement be approved and the Chair be authorised to sign the statement on behalf of the Committee

28 Approval of the Audited Statement of Accounts and Grant Thornton Audit Report

The Chief Officer - Financial Services submitted a report which sought approval of the Council's final audited Statement of Accounts and to also consider any material amendments identified by the Council or recommended by the auditors.

Members were informed that the External Auditors (Grant Thornton) were nearing completion of their audit of the final accounts, their report and findings are included within the submitted report.

It was reported that since the publication of the draft accounts two post balance sheet events had occurred which required adjustment of the accounts. The most significant of these was to the value of the Council's pension liabilities as a result of the McCloud Judgement and Guaranteed Minimum Pensions (£47.4m adjustment required). A small number of corrections to asset values had also been made.

Following publication of the revised accounts for consideration by the Committee, one additional asset valuation had been identified which required further adjustment - an increased asset valuation of £15m in respect of the John Charles Sports Centre.

- Members were also advised that :
- The accounts have been certified by the Chief Finance Officer as a true and fair view of the Council's financial position as at 31st March 2019. A copy of the final version of the accounts for approval incorporating the final asset valuation correction was circulated to Members at the meeting.
- During the 2018/19 public inspection period, no objections were received from local electors.

Addressing the External Auditors report, Gareth Mills (Grant Thornton) spoke on the main issues which included:

- Grant Thornton anticipate being able to issue an unqualified opinion on the 2018/19 Statement of Accounts;

- There are no unadjusted audit differences affecting the financial statements;
- The review of the Annual Governance Statement has concluded that it is not misleading or inconsistent with information they are aware of from their audit of the financial statements, and that it complies with CIPFA/SOLACE guidance;
- The review of value for money arrangements had concluded that the Council had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Commenting on the business rates, paragraph 3.2.4 of the submitted report, Members queried if the post balance sheet event affecting business rates valuations was an indication that business rates appeals were likely to increase again in the future.

Members were informed that the increase in the required provision related to specific issues rather than a general rise in appeals. However it was noted that although the new appeals process introduced from April 2017 has so far led to a reduction in appeals, it is not yet clear whether this will be the long term impact.

Commenting on the key judgements and estimates, land and buildings – Council Housing (page 172 of the submitted report). Members noted that the in-house valuation had been undertaken in September 2018, but it was the view of the external auditors that valuation should take place at year-end (31st March)

In responding Mr Mills said that ideally valuations should take place at year – end as it provided a greater degree of comfort that they were appropriate at the balance sheet date.

The Chair noted the practical difficulties of valuing a large number of properties over a short period of time, and suggested a bespoke recommendation was required and not a standard one.

Mr P Sethi (Grant Thornton) said auditors required an appropriate valuation at year-end and it was also beneficial to include other issues at the same time.

The Chair thanked officers and the representatives from Grant Thornton for their attendance and contributions.

RESOLVED –

- (i) To receive the report of the Council's external auditors on the 2018/19 accounts noting there were a small number of adjustments required to the accounts.
- (ii) That the final audited 2018/19 Statement of Accounts be approved and the Chair be requested to acknowledge the approval on behalf

of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.

- (iii) On the basis of the assurances received, the Chair be requested to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
- (iv) To note Grant Thornton's Value for Money (VFM) conclusion that the council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

29 Work Programme 2019/20

The Head of Democratic Services 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.

It was agreed that further discussion on this issue would take place with the Chair and reported back to Members in due course.

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

- City Council's New Procurement Strategy 2019 – Social Value, oversight of the governance arrangements (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

30 Date and Time of Next Meeting

RESOLVED – To note that the next meeting will take place on Friday, 22nd November 2019 at 10.00am in the Civic Hall, Leeds.