



**Draft**  
**Annual Report to Full Council**

**Corporate Governance and**  
**Audit Committee**  
**2019/20**

# **Annual Report of the Corporate Governance and Audit Committee 2019/20**

## **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.

Whilst newly appointed as Chair to the committee I developed experience and understanding of the committee's role serving as a Member of the committee with the guidance of Councillor Ritchie as chair. I should like to thank Councillor Ritchie for his time and commitment to the role and the work of the committee.

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.

We have:

- Overseen the production of the Annual Governance Statement;
- Reviewed and approved the Council's statutory accounts
- Ensured that assurance reports have been reviewed in detail on the key aspects of the Council's internal control arrangements including:
  - Risk management;
  - Performance management;
  - Business continuity management;
  - Employment policies and practices and officer conduct;
  - Financial management (including arrangements for Treasury management);
  - Customer access and complaints handling;
  - Information governance; and
  - The openness and transparency of our decision making arrangements.
- Provided robust challenge to our arrangements and monitoring for areas in need of improvement.

Our work has culminated in a clean external audit opinion on the council's Statement of Accounts, confirming their accuracy and completeness and confirmation (by external audit) that the council has in place the arrangements required to achieve its objectives and deliver its services economically, effectively and efficiently.

In addition to the work undertaken through our formal meeting cycle I have been pleased, as the committee's chair, to engage in

- the appointment of the Head of Internal Audit;
- initial work toward recruiting of a non-voting co-opted independent member for the committee
- closer working with the CCG

## **1. INTRODUCTION**

This annual report to full council demonstrates the importance 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.

This report provides additional assurance and underpins the Annual Governance Statement, which is approved by the committee in July, and is provided to all Members.

## **2. COMMITTEE INFORMATION**

### **Audit Committee Membership**

Nine elected members serve on the committee:

- Councillor Andrew Scopes (Chair)
- Councillor Jonathan Bentley
- Councillor Ben Garner
- Councillor Pauleen Grahame
- Councillor Peter Harrand
- 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.**

Following Council's approval for the appointment of a non-voting co-opted independent member of the committee and in line with the Chartered Institute for Public Finance and Accountancy (CIPFA) guidance for Audit Committee in Local Government, we have prepared a role description and person specification. During the course of the municipal year a cross party panel, drawn from the committee's membership and including the executive member for resources, has invited applications from candidates for the role. Only one application was received as a result of this exercise, from an applicant with close connections to Leeds City Council. A decision was taken that a wider search should be undertaken, in order to attract a more diverse and independent field to provide assurance of separation and independence in the audit committee role.

### **Audit Committee Meetings**

The committee has met on five 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.

The July meeting of the committee is particularly important, both the approval of the Council's Statement of Accounts and agreement of the Annual Governance Statement take place.

The committee is supported by a number of officers who attend regularly and bring expertise in relation to governance; internal audit and finance. There have been a number of changes in relation to these support arrangements, all of which have taken place through managed transition processes. The committee would like to thank Andy Hodson, Head of Democratic Services for the years of dedicated work as lead officer to the committee; Sonya McDonald, the outgoing Head of Audit; and Jonathan Foster, the Interim Head of Audit for the work they have done and the support given to the committee's oversight of internal audit functions.

### **3. TERMS OF REFERENCE**

The Terms of Reference for the Corporate Governance and Audit Committee are reviewed each year to ensure they represent current regulations and best practice as outlined within guidance for audit committees from the Chartered Institute of Public Finance and Accountability.

The core functions of the committee 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.

### **4. COMMITTEE BUSINESS**

A list of the reports considered by the Corporate Governance and Audit Committee can be found in **Appendix A**. The main outcomes of the committee's work in relation to its core functions can be summarised as follows:

#### **The Accounts**

The committee has:

- Received reports on the Statement of Accounts;
- Considered the draft Statement of Accounts and approved the final Audited Statement Accounts for publication.

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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

- Received and considered reports from the External Auditor on the Statement of Accounts.

### **External Audit**

The committee has received from the Council's appointed external auditor, Grant Thornton:

- The external audit plan;
- Regular reports setting out progress against the audit plan and sector updates;
- The annual audit letter; and

In addition the committee has continued to consider the responses of management to audit recommendations, to ensure that appropriate actions are agreed and implemented.

### **Compliance with statutory and other guidance**

The committee has reviewed its role in relation to the appointment of the head of audit; and through the chair has engaged in the process of appointing the Council's new Head of Audit.

### **Internal Control**

The committee has:

- Approved the annual report;
- Overseen the production of and recommended the adoption of the Annual Governance Statement;
- Received and considered annual Assurance reports in relation to:
  - Financial Management arrangements
  - Treasury Management
  - Procurement
  - Risk management
  - Business Continuity
  - Performance management
  - Customer Contact and Satisfaction
  - Decision Making (including planning, licensing and surveillance conducted by the Council under the Regulation of Investigatory Powers Act 2000)
  - Information Governance
  - Employment policies, procedures and employee conduct
- Requested specific work items to;
  - Follow up and receive additional assurances around the Public Service Network (PSN) and the Council's access project to ensure that the Council remains compliant with the PSN regime and retains PSN certification;
  - Receive information and assurance around the role of the Caldicott Guardian to ensure that the highest standards are maintained when handling confidential patient identifiable data;
  - Receive an update on the options being considered to accurately measure social value outcomes in procurement;

- Receive assurance around the arrangements in place for Members to refer planning applications to plans panel for determination and the governance arrangements for enforcement proceedings.
- Engaged with officers to:-
  - Recommend and see the introduction of third party oversight by way of review of Director's acceptance of gifts and hospitality; and introduction of nil returns by senior officers submitting returns in relation to gifts and hospitality received;
  - Develop the council's arrangements for scrutiny of risk through engagement with each Scrutiny Board in relation to matters within its remit;
  - Encourage increased feedback to internal audit following completion of work within directorates;

## Internal Audit

The committee received and considered reports from the Head of Audit in relation to:

- The internal audit annual report and opinion on the Council's internal control environment.
- Information on the performance and effectiveness of the Internal Audit Team.
- The Internal Audit Team's progress in delivering the planned work and summaries of reports issued. In particular the committee considered:
  - limited assurance issues raised by the Head of Internal Audit during the year:
    - Audits of schools (June – one primary school with limited assurance for one objective; November – two schools with limited assurance ;January – one school with limited assurance for one objective)
    - Invest to save – benefits realisation – audit recommendations support work being undertaken by Financial Management to implement a robust process that will accompany the proposal of an innovation Fund and an Investment Fund from 2020/21. In addition the Best Council Design Team will play a key role in approval and monitoring of projects.
    - Privileged user access within Digital and information Service – corrective actions are being undertaken on a risk based approach to develop a robust framework for the management and oversight of privileged access. Internal Audit will be reviewing progress and providing updates to the Committee.
  - follow up reports on previous audits where a low assurance opinion was highlighted as follows:
    - Community Infrastructure Levy Fund – good assurance
    - Sundry income – (Telecare) – good assurance
    - Electricity contract – acceptable
    - Income review – Leeds International Beer Festival - acceptable
    - Leeds Building Services Information Governance - acceptable
    - Contract review – joint venture - acceptable
    - Tendering system controls - good
    - Housing disrepair - good

- Income review – room hire – acceptable
- ICT projects – benefits realisation – good
- In-house fostering, special guardianship and leaving care – acceptable
- Commercial rents - good
- monitoring information on the implementation of agreed audit recommendations.

In addition the committee:-

- Received assurance in relation to the authorisation process for journal entries posted in the financial system. The review undertaken by internal audit has concluded that there are satisfactory compensating controls in place to mitigate the risk of material error arising from an inaccurate journal entry. The review concluded that there is not a need to introduce a secondary check.
- Continued to provide support to the Internal Audit Team to ensure management was responsive to recommendations made and agreed.
- Continued to monitor customer feedback and performance information relating to the work of internal audit and actively sought the ongoing increased co-operation of officers in providing such feedback.
- Agreed the Internal Audit Annual Plan for 2020/21.
- Through the chair, been involved in the recruitment of the head of internal audit.

### **Compliance with Best Practice**

During the 2018/19 municipal year the committee undertook a self-assessment of the committee's compliance with current best practice. This assessment was against a checklist from the CIPFA guidance "Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition." In response to this assessment the committee prompted consideration of the appointment of a non-voting co-opted independent member, an outcome approved by Council at the annual meeting in May 2019. In seeking to appoint an independent member of the committee we are further evidencing our compliance with best practice.

### **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 non-voting co-opted 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 local government setting.

As in previous years the Chief Finance Officer provided training to the committee in preparation for their examination of the Accounts and further training is provided to Members as necessary.

### **Looking Forward**

The committee is looking forward to the new municipal year which will begin with consideration of the draft accounts and annual governance statement. Through the receipt of regular reports the 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.

# CORPORATE GOVERNANCE AND AUDIT COMMITTEE ACTIVITY – 2019/20

## Appendix A

| Reports                                                                            | Jun 2019 | July 2019 | Nov 2019 | Jan 2020 | Mar 2020 |
|------------------------------------------------------------------------------------|----------|-----------|----------|----------|----------|
| <b>Annual Reports</b>                                                              |          |           |          |          |          |
| Annual decision making assurance report                                            |          |           |          |          |          |
| Annual assurance report on employment policies and procedures and employee conduct |          |           |          |          |          |
| Statement of accounts                                                              |          |           |          |          |          |
| Annual governance statement                                                        |          |           |          |          |          |
| Annual assurance report on corporate risk management arrangements                  |          |           |          |          |          |
| Internal Audit annual report and opinion                                           |          |           |          |          |          |
| Annual assurance report on corporate performance management arrangements           |          |           |          |          |          |
| External auditor's annual audit letter                                             |          |           |          |          |          |
| Customer contact and satisfaction annual assurance report                          |          |           |          |          |          |
| External audit – certification of housing benefit grant claims                     |          |           |          |          |          |
| External audit plan                                                                |          |           |          |          |          |
| 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                                               |          |           |          |          |          |
|                                                                                    |          |           |          |          |          |

| <b>Reports</b>                                                                                                                                                                      | <b>Jun<br/>2019</b> | <b>July<br/>2019</b> | <b>Nov<br/>2019</b> | <b>Jan<br/>2020</b> | <b>Mar<br/>2020</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| <b>Regular Reports</b>                                                                                                                                                              |                     |                      |                     |                     |                     |
| Internal Audit Update Report                                                                                                                                                        |                     |                      |                     |                     |                     |
| External audit progress report and sector update                                                                                                                                    |                     |                      |                     |                     |                     |
| Work Programme                                                                                                                                                                      |                     |                      |                     |                     |                     |
|                                                                                                                                                                                     |                     |                      |                     |                     |                     |
| <b>Additional reports received in accordance with terms of reference</b>                                                                                                            |                     |                      |                     |                     |                     |
| Role of the Caldicott Guardian                                                                                                                                                      |                     |                      |                     |                     |                     |
| Applications Portfolio Programme – update on access project                                                                                                                         |                     |                      |                     |                     |                     |
| Social value in procurement – update on the options being considered to accurately measure social value outcomes.                                                                   |                     |                      |                     |                     |                     |
| Assurance around the arrangements in place for Members to refer planning applications to plans panel for determination and the governance arrangements for enforcement proceedings. |                     |                      |                     |                     |                     |