

Audit and Standards Committee

Meeting held 27 April 2017

PRESENT: Councillors Josie Paszek (Chair), Dianne Hurst, Pat Midgley and Vickie Priestley

Co-Opted Member
Liz Stanley

Representative of KPMG
Tim Cutler

Council Officers
Eugene Walker (Acting Executive Director, Resources)
Gillian Duckworth (Director of Legal and Governance)
Kayleigh Inman (Senior Finance Manager, Internal Audit)
Dave Phillips (Head of Strategic Finance)
John Curtis (Head of Information Management)
Richard Garrad (Strategic Risk Manager)

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Peter Price.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the previous meeting of the Committee, held on 12 January 2017, were approved as a correct record.

4. GENERAL DATA PROTECTION REGULATION

4.1 The Head of Information Management submitted a report outlining forthcoming changes to how the Council processes and uses personal data. These changes will be introduced through the General Data Protection Regulation (GDPR) which will come into force on 25 May 2018. The report outlined some of the proposed changes outlined within the GDPR, as well as work undertaken to date and ongoing work to address these proposed changes.

4.2 In response to a question from a Member about who had the right to be “forgotten” under the proposals, the Head of Information Management commented that an individual could ask for their records to be deleted, in essence “forgotten”. The Council would then have to make a judgement as to whether it needed to retain the individual’s records or not. If it did decide to retain, the Council would be required to inform the individual that this was the case and explain why. The

individual would then have a right of appeal to the Information Commissioner's Office (ICO).

- 4.3 In respect of the issue of fines for non-compliance, the ICO had confirmed that any fines would be sensible and proportionate to the size of the organisation. However, the ICO would more than likely have issued a number of warnings before it had reached that stage.
- 4.4 A Member of the Committee then enquired who would be responsible for any incident in Schools. The Head of Information Management confirmed that the Governing Body would be the accountable body for any such incidents.
- 4.5 **Resolved:** That the Committee notes the proposed changes and supports the ongoing work.

5. INTERNAL AUDIT PLAN 2017/18

- 5.1 The Senior Finance Manager (Internal Audit) introduced a report presenting the Internal Audit planning methodology and programme of work for 2017/18.
- 5.2 The strategy for Internal Audit work was to focus on areas of high-risk activity in order to provide assurance that risk and internal control systems were being properly managed by Directors in service areas.
- 5.3 For 2017/18, a risk scoring approach had been implemented in order to prioritise the identified auditable areas. The use of a risk-scoring methodology was a requirement of the Public Sector Internal Audit Standard. Service Management had been asked to contribute to the planning process, however the plan and its contents were entirely the responsibility of Internal Audit.
- 5.4 The seven high priority areas which had not been included in the Plan had been excluded for service reasons as opposed to Internal Audit reasons. The delivery of the plan could potentially be affected by anything unplanned which may cause a need to reallocate resource.
- 5.5 In response to a question from a Member of the Committee as to whether the Committee would have any role in approving how Internal Audit resources were utilised, the Senior Finance Manager (Internal Audit) commented that she worked out the number of days based on how many days were worked and taking into account allowances for non-audit activity. Activity was balanced to the resources available.
- 5.6 Following a query from a Member of the Committee as to how many days the figure of 15% in paragraph 32 of the report represented, the Senior Finance Manager (Internal Audit) stated that she would break the plan down into days and the number of outputs to make it clearer for Members.
- 5.7 The Senior Finance Manager (Internal Audit) commented, in response to a question regarding whether the impact of national changes would have a knock on effect on audit plans, that it was a continuous cycle and not a static process. She

met quarterly with Executive Directors and Heads of Service to look at the plan and it could be reviewed in year, if necessary.

- 5.8 **Resolved:** That the Committee endorses the programme of internal audit work, attached to the report, for 2017/18.

6. PUBLIC SECTOR INTERNAL AUDIT STANDARDS PEER REVIEW

6.1 The Senior Finance Manager (Internal Audit) introduced a report presenting and communicating to Members of the Committee the outcomes of the peer review performed by Leeds City Council Internal Audit Service to assess compliance with the Public Sector Internal Audit Standards (PSIAS).

6.2 The conclusion of the review was that the Internal Audit Service generally conformed with the requirements of the Public Sector Internal Audit Standards and that we had the relevant structures in place in order to comply. This was the highest standard of assessment which could be given. A number of areas had been identified for improvement and Internal Audit had agreed with all the recommendations.

6.3 **Resolved:** That the Committee:-

- (a) notes the outcomes of the peer review produced by Leeds Internal Audit Service; and
- (b) approves the revised Internal Audit Charter, appended to the report.

7. COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

7.1 The Head of Strategic Finance introduced a report which had been drafted so that the Committee could demonstrate to the External Auditors and the wider audience that they had exercised the required oversight to meet the requirements of the International Standards on Auditing. The report drew together much of the work that had been undertaken by the Committee in the past year.

7.2 **Resolved:** That the Committee:-

- (a) confirms that the report gives an accurate reflection of the reports that they had received and considered throughout the year; and
- (b) confirms that it now had an overview of the Council's systems of internal control so that it was now assured that it was fulfilling the requirements of "those charged with governance" under the International Auditing Standards.

8. ANNUAL REPORT ON GRANTS AND RETURNS 2015/16

8.1 Tim Cutler, Partner, KPMG, introduced the Annual Report on Grants and Returns 2015/16 which summarised the results of work KPMG had carried out on the Council's 2015/16 grant claims and returns.

8.2 Mr Cutler reported that there had only been one claim certified as part of the PSAA regime in relation to Housing Subsidy which had a value of £195.8 million. A qualification letter was sent to the Department of Work and Pensions (DWP) along with the certified claim as there were a small number of errors found as part of the testing. None of the errors were individually or collectively significant, but due to the large number of individual payments in each category, it was not possible to calculate the true value of each error within the total claim. As such, the assurance was qualified to DWP on this basis. Some recommendations had been raised, therefore, in relation to these errors, to improve the process for preparing the claim in future years.

8.3 Under separate assurance engagements, three returns had been certified in relation to Pooling Capital Receipts, Teachers' Pension Return and SFA Subcontracting Arrangements.

8.4 **Resolved:** That the Committee notes the Annual Report on Grants and Returns 2015/16.

9. EXTERNAL AUDIT PLAN 2016/17

9.1 Tim Cutler, Partner, KPMG, introduced a report outlining the External Audit Plan for 2016/17.

9.2 Mr Cutler reported that KPMG had identified a number of significant audit risks in relation to the financial statement. These were either standard risks required by auditing standards, items of high value with a large degree of estimation or something complex being looked at for the first time. There was one significant value for money risk in respect of financial resilience with a particular focus on how social care was managed in the budgeting process.

9.3 In response to a question from a Member of the Committee, Eugene Walker, Acting Executive Director, Resources, commented that there were a number of key issues to keep watch on but they were largely things that were known about. Childrens and adults' services were to be brought together in People Services portfolio and this would provide a better opportunity to manage on a whole life basis. Social care was a difficult issue, but the Council had to find a way to manage it.

9.4 **Resolved:** That the Committee notes the External Audit Plan 2016/17.

10. WORK PROGRAMME

10.1 The Director of Legal and Governance submitted a report providing details of an outline work programme for a meeting of the Committee in July 2017.

10.2 **Resolved:** That the Committee's work programme for its July meeting be approved.

11. DATE OF NEXT MEETING

11.1 The Committee noted that its next meeting would be held on Thursday 13 July 2017.

12. EXCLUSION OF THE PRESS AND PUBLIC

12.1 **Resolved:** That the public and press be excluded from the meeting before discussion takes place on the following item of business on Strategic Risk Management on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.

13. STRATEGIC RISK MANAGEMENT

13.1 The Corporate Risk Manager introduced a report and gave a presentation providing an assessment of the Council's current Risk Management arrangements and the measures implemented to further strengthen and improve them and the current and emerging risks, their impact on service delivery and the controls in place to manage them.

13.2 The report and presentation covered the period from June 2016 to February 2017. The Corporate Risk Manager reported that the risk management arrangements remained at a green rating for this period. However, if certain issues were not resolved in the next quarter, the Corporate Risk Management Group would consider reducing the rating to amber. Since the report had been compiled, however, there had been some evidence that things were improving in this respect.

13.3 The Corporate Risk Manager and Acting Executive Director, Resources responded to questions from Members of the Committee on management responsibility for risks and deprivation of liberty.

13.4 **Resolved:** That the Committee:-

- (a) notes the current assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements;
- (b) notes the improving trends in management of risks; and
- (c) notes the current and emerging risks and endorses the actions being taken to mitigate those risks.

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